EMTHANJENI LOCAL MUNICIPALITY
Annual Financial Statements
for the year ended June 30, 2010

General Information

Legal form of entity	Emthanjeni Municipality is a local municipality performing the functions as set out in the Constitution, Act no. 105 of 1996
Nature of business and principal activities	Emthanjeni Municipality provides sustainable, effective and efficient municipal services to its communities.
Jurisdiction of Emthanjeni Municipality	The Municipality operates within the boundaries of three towns, namely Hanover, De Aar, Britstown and the surrounding farming areas
Members of Emthanjeni Municipal Council	14
Mayor	Councillor BK Markman
Councillors	Councillor EP Eksteen (Speaker)
	Councillor GL Nyl (Member of the Executive Committee)
	Councillor ST Sthonga
	Councillor GL Nkumbi
	Councillor S Max
	Councillor NS Thomas
	Councillor EG Hendricks
	Councillor B Swanepoel
	Councillor M Malherbe
	Councillor JJ Oberholzer
	Councillor GA White (Member of the Executive Committee)
	Councillor AF Jafta
Grading of local authority	Grade 2
Accounting Officer	Mr Isak Visser (BCom, HDE, CPMD)
Chief Finance Officer (CFO)	Mr MF Manuel (HDE, BCompt)
Municipal Office	45 Voortrekker Street De Aar 7000
Postal address	P.O. Box 42 De Aar 7000
Primary Bankers	ABSA Bank De Aar Branch
Auditors	Office of the Auditor-General Northern Cape McDougal Street Kimberley, 8301
Attorneys	Towell & Groenewaldt Attorneys Rugby House, Roper Street, Kimberley, 8301

General Information

Relevant Legislation

Municipal Finance Management Act (Act no. 56 of 2003)
Division of Revenue Act
The Income Tax Act
Valua Added Tax Act
Municipal Structures Act (Act no.117 of 1998)
Municipal Systems Act (Act no. 32 of 2000)
Municipal Planning and Perfromance Management Regulations
Water Services Act (Act no. 108 of 1997)
Housing Act (Act. 107 of 1997)
Municipal Property Rates Act (Act no. 6 of 2004)
Electricity Act (Act no. 41of 1987)
Skills Development Levies Act (Act no. 9 of 1999)
Employment Equity Act (Act no. 55 of 1988)
Unemployment Insurance Act (Act no. 55 of 19888)
Basic Conditions of Employment Act (Act no. 75 of 1997)
Supply Chain Management Regulations, 2005
SALGBC Collective Agreements

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The reports and statements set out below comprise the annual financial statements presented to the Council of Emthanjeni Municipality:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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SDBIP	Service Delivery and Budget Implementation Plan
SALGBC	South Africacan Local Government Bargaining Council

Accounting Officer's Responsibilities and Approval

As the Accounting Officer of Emthanjeni municipality, I am responsible for the preparation of these Annual Financial Statements set out in pages 1 to 88 in terms of Section 126 (1) of the Municipal Finance Management Act, and which I have signed on behalf of the Municipality

Isak Visser
Accounting Officer

Accounting Officer's Report

The Accounting Officer submits his report for the year ended June 30, 2010.

1. Review of activities

Main business and operations

Emthanjeni Municipality is mandated to provide sustainable, effective and efficient municipal services, operates principally in De Aar, Britstown, Hanover, in South Africa.

The operating results for the year improved from previous year due to the following reasons. The financial position of the Municipality is:

Net surplus of the municipality was 3,470,447 (2009: deficit 50,716,676).

The result mainly consist out of non-cash contributions that were expensed through the Statement of the Financial Performance. These main contributionsamongsts others include the following:

1.	Post Retirement Benefit: Acturial Losses	R 4, 362, 190
2.	Provision for Debt Impairment	R15, 864, 212
3.	Depreciation	R11, 793 604

The total amount of Accounts Receivable increased at an alarming rate. Non payment also influenced the increase of Debtors.

2. Going concern

We draw attention to the fact that at June 30, 2010, the municipality had accumulated surplus of 210,666,660 and that the municipality's total assets exceed its liabilties by 212,919,453.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that grants are maintained at current levels for the ongoing operations for the municipality.

3. Subsequent events

Council entered a loan agreement with ABSA Bank for the financing of a Telephone system which was fully installed and completed after 30 June 2010. The loan will finance the Photocopiers and Telephone System. The loan will be secured over the abovementioned assets.

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The following GRAP Standards were applied prior to the commencement dates in the current year: These standard are set out in the Accounting polices and starts with Note 1to the Annual Financial Statements.

The impact on the results of the municipality in adopting the above policies is reflected in notes to the annual financial statements.

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

Statement of Financial Position as at 30 June 2010

Figures in Rand	Note(s)	2010	2009
Assets			
Current Assets			
Inventories	3	2,659,466	2,425,582
Current tax receivable	4	682,586	332,831
Current Investments	5	8,307,417	7,680,206
Other receivables from non-exchange transactions	6	923,788	1,259,261
Trade and other receivables from exchange transactions	7	2,434,412	1,446,122
Consumer debtors	8	11,990,009	11,637,027
Operating lease assets	9	240,935	246,040
Current Portion: Long-term Debtors	10	12,796	12,180
Cash and cash equivalents	11	3,489,166	1,645,306
		30,740,575	**26,684,555**
Non-Current Assets			
Property, plant and equipment	12	231,031,736	537,022,294
Investment property	13	187,305	187,305
Intangible assets	14	154,077	186,038
Long-term Accounts Receivables	10	42,409	62,907
		231,415,527	**537,458,544**
Non-Current Assets		231,415,527	537,458,544
Current Assets		30,740,575	26,684,555
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		**262,156,102**	**564,143,099**
Liabilities			
Current Liabilities			
Consumer deposits	15	1,634,459	1,554,684
Trade and other payables from exchange transactions	17	6,137,455	4,877,601
Unspent conditional grants and receipts	18	4,413,327	1,507,787
Taxes and transfers payable (non-exchange)	19	4,108,919	2,758,674
Current portion: Long-term Liabilities	20	950,442	1,317,811
Current Portion: Finance lease obligation	21	235,784	297,131
VAT payable		-	-
Current Portion: Post Retirement Employee Benefit Obligation	22	3,957,781	3,678,244
Bank overdraft	11	2,304,836	1,872,487
		23,743,003	**17,864,419**
Non-Current Liabilities			
Non-Current Provisions	16	809,646	296,069
Long-term Liabilities	20	3,999,875	4,950,316
Interest Bearing Borrowing	21	202,664	76,777
Post Retirement Employee Benefit Obligation	22	20,481,461	15,243,385
		25,493,646	**20,566,547**
Non-Current Liabilities		25,493,646	20,566,547
Current Liabilities		23,743,003	17,864,419
Liabilities of disposal groups		-	-
Total Liabilities		**49,236,649**	**38,430,966**
Assets		262,156,102	564,143,099
Liabilities		(49,236,649)	(38,430,966)
Net Assets		**212,919,453**	**525,712,133**
Net Assets			
Reserves			

Statement of Financial Position as at 30 June 2010

Figures in Rand	Note(s)	2010	2009
Capital replacement reserve	23&23	2,252,793	2,252,793
Accumulated surplus		210,666,660	523,459,340
Total Net Assets		**212,919,453**	**525,712,133**

Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
Revenue			
Property rates	25	11,598,534	10,586,770
Service charges	26	55,599,396	46,525,380
Rental of facilities and equipment		425,286	366,454
Interest received - investment	28	905,865	1,338,625
Interest received - Outstanding debtors		718,603	1,414,777
Fines		11,012,326	3,185,920
Licences and permits		1,051,860	1,019,901
Government grants & subsidies	29	42,275,396	27,996,502
Proceeds on sale of assets		352,034	443,665
Other Municipal Income		15,475,179	9,331,682
Insurance Claims Received		120,839	40,555
Total Revenue		**139,535,318**	**102,250,231**
Expenditure			
Employee Related Costs	32	37,673,582	34,511,129
Remuneration of councillors	33	3,053,052	2,879,954
Depreciation and amortisation	34	11,793,604	21,583,267
Finance costs	35	2,486,442	985,093
Debt impairment	36	15,864,212	50,473,464
Collection costs		6,141,990	749,959
Repairs and maintenance		8,607,130	6,546,367
Bulk purchases	38	20,419,918	15,578,304
Contracted services	39	17,375	548,316
Grants and subsidies paid	40	10,863,832	7,665,425
General Expenses	41	13,808,394	11,445,629
Irregular Expenditure: Theft and Fraud		695,230	-
Actuarial Losses		4,362,190	-
Impairment Losses: PPE		277,920	-
Total Expenditure		**(136,064,871)**	**(152,966,907)**
Revenue		139,535,318	102,250,231
Expenditure		(136,064,871)	(152,966,907)
Other		-	-
Surplus (deficit) for the year		**3,470,447**	**(50,716,676)**

Statement of Changes in Net Assets

Figures in Rand	Capital replacement reserve	Accumulated surplus	Total net assets
Balance at July 01, 2008	**17,346,259**	**11,748,467**	**29,094,726**
Changes in net assets			
Retirement benefit obligation recognised		(14,342,345)	(14,342,345)
Revaluation of Assets - Grap 17		341,370,867	341,370,867
Loans redeemed and other capital receipts written off		201,231,551	201,231,551
Other			
• Other	1,347,821		1,347,821
• Transfers to inventory	2,252,793		2,252,793
Revolving fund contribution 2008		(672,930)	(672,930)
Surplus for the year		7,037,405	7,037,405
IMFO Funds written off in terms of GRAP conversion	(18,694,080)		(18,694,080)
Net income (losses) recognised directly in net assets	(15,093,466)	534,624,548	519,531,082
Surplus for the year		(50,716,676)	(50,716,676)
Total recognised income and expenses for the year	(15,093,466)	483,918,202	468,824,736
Changes in Accounting Policy: Writing back of depreciation against the Accumulated Surplus		(81,504)	(81,504)
Transaction corrected against the accumulated surplus		27,874,175	27,874,175
Total changes	(15,093,466)	511,710,873	496,617,407
Balance at 01 July 2009	2,252,793	523,530,506	525,783,299
Adjustments			
Fundamental errors affecting assets: Restatement of opening balances		(321,385,620)	(321,385,620)
Change in accounting policy: Writing back of depreciation		40,311	40,311
Prior year adjustments: Restatement of Accumulated depreciation on PPE and other assets opening balances		2,413,313	2,413,313
Restated Balance at July 01, 2009	**2,252,793**	**204,598,510**	**206,851,303**
Changes in net assets			
Payments made against the Accumulated Surplus		(461,248)	(461,248)
Prior period errors: Reversal of Provision of Rehabilitation of Landfill site		296,069	296,069
Other fair value gains (losses)		2,762,882	2,762,882
Net income (losses) recognised directly in net assets		2,597,703	2,597,703
Surplus for the year		3,470,447	3,470,447
Total recognised income and expenses for the year		6,068,150	6,068,150
Total changes		6,068,150	6,068,150
Balance at June 30, 2010	**2,252,793**	**210,666,660**	**212,919,453**
Note(s)	23		

Cash Flow Statement

Figures in Rand	Note(s)	2010	2009
Cash flows from operating activities			
Receipts			
Cash receipts from customers		154,816,270	134,549,994
Cash paid to suppliers and employees		(137,573,862)	(129,936,663)
Interest income		905,865	1,338,625
		18,148,273	5,951,956
Payments			
Finance costs		(2,486,442)	(812,013)
Taxes on surpluses	48	1,015,417	464,047
		(1,471,025)	(347,966)
Total receipts		18,148,273	5,951,956
Total payments		(1,471,025)	(347,966)
Net cash flows from operating activities	45	**16,011,589**	**4,498,800**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(14,589,040)	(3,426,275)
Disposal of sale of property, plant and equipment	12	1,383,505	-
Purchase of investment property	13	-	(5,172,732)
Purchase of other intangible assets	14	(12,522)	-
Sale of non- current other receivables		19,882	14,589
Net cash flows from investing activities		**(13,198,175)**	**(8,584,418)**
Cash flows from financing activities			
Repayment of long-term liabilities		(1,317,810)	(1,203,781)
Finance lease payments		(84,093)	(670,256)
Finance costs		-	-
Net cash flows from financing activities		**(1,401,903)**	**(1,874,037)**
Net increase/(decrease) in cash and cash equivalents		**1,411,511**	**(5,959,655)**
Cash and cash equivalents at the beginning of the year		(227,181)	5,289,134
Cash and cash equivalents at the end of the year	11	**1,184,330**	**(670,521)**

Accounting Policies

1. Presentation of Annual Financial Statements

These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) Reporting Framework including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The standards are summarised as follows:

Grap 1	Presentation of Financial Statemets
Grap 2	Cash Flow Statements
Grap 3	Accounting Policies, Changes in Accounting Estimates and Errors
Grap 4	The Effects of changes in Foreign Exchange Rates
Grap 5	Borrowing Costs
Grap 6	Consolidated and Separate Financial Statements
Grap 7	Investments in Associates
Grap 8	Interest in Joint Ventures
Grap 9	Revenue from Exchange Transactions
Grap 10	Financial Reporting in Hyperinflationary Economics
Grap 11	Construction Contracts
Grap 12	Inventories
Grap 13	Leases
Grap 14	Events after the Reporting Date
Grap 16	Investment Property
Grap 17	Property, Plant and Equipment
Grap 19	Provisions, Contingent Liabilities and Contigent Assets
Grap 100	Non-current Assets Held for Sale and Discontinued Operations
Grap 101	Agricultural
Grap 102	Intangible Assets
IAS 12	Income Taxes
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of assets
IFRS 3	Business combinations
IFRS 4	Insurance contracts
IFRS 6	Exploration for and evaluation of mineral resources
IFRS 7	Financial Instruments: DIsclosures
GAMAP 9.29 - .35 & .39	Revenue
IGRAP 1	Applying the probability test on initial recognition of exchange revenue
IFRIC 2	Member's Shares in Co-operative Entities and Similar Instruments
IFRIC 4	Determining whether an Agreement contains a Lease
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 12	Service Concession Arrangments
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes - Changes in the Tax Status of an Enterprise or its Shareholders
SIC 27	Disclosure - Service Consession Arrangements
ASB Directive 1	Repeal of existing transitional provisions in, and Consequential amendments to Standards of GRAP
ASB Directive 4	Transitional provisions for the adoption of Standards of GRAP by Medium and Low Capacity Municipalities
ASB Directive 5	Determining the GRAP Reporting Framework
ASB Guide 1	Guideline in Accounting for Public Private Partnerships

Accounting Policies

Accounting policies for material transactions events or conditions not covered by the above GRAP standards have been developed in accordance with paragraphs 7, 11 and 12 of Grap 3.
A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional or transitional provision has been granted, are disclosed below.
Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.
These accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are set out in the notes to the financial statements.
In terms of Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities" issued by the Accounting Standards Board, Emthanjeni Municipality has adopted the transitional provisions for the following GRAP Standards:

GRAP	12	Inventories
GRAP	13	Leases
GRAP	16	Investment Property
GRAP	17	Property, Plant and Equipment
GRAP	19	Provisions, Contigent Liabilities and Contingent Assets
GRAP	100	Non-current Assets Held for Sale and Discontinued OperationsAdditional text

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.
STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE AS PER DIRECTIVE 7 ISSUED BY THE ACCOUNTING STANDARDS BOARD
The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality.

GRAP	18	Segment Reporting
GRAP	21	Impairment of non-cash generating assets
GRAP	23	Revenue from Non-exchange transactions (Taxes and Transfers)
GRAP	24	Presentation of Budget Information in Financial Statements
GRAP	26	Impairment of cash-generating assets
GRAP	103	Heritage Assets

1.1 Presentation of currency

These annual financial statements are presented in South African Rand. No foreign exchange transactions are included in these statements.

1.2 Going concern assumption

These annual financial statements have been prepared on a going concern basis

1.3 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Accounting Policies

1.4 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.15 and 1.16. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Extended periods is periods that exceeds 12 months.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.5 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value on the weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.6 Investments

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost.

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

Accounting Policies

1.7 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies

Levies are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

Accounting Policies

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.8 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.8 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.9 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative or comminty purposes, and are expected to be used during more than one period.

1.9.1 Initial Recognition

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially recognised or measured as assets on acquisition date and are recorded at costs and or at deemed cost (depreciated replacement cost).

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Accounting Policies

1.9 Property, plant and equipment (continued)
Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

1.9.2 Subsequent Measurement - Revaluation Model

Subsequent to initial recognition, Property, Plant and Equipment are carried at a revalued amount, unless otherwise stated in the relevant Notes to the Financial Statements, being its fair value at the date of revakuation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.9.3 Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred in an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Accounting Policies

1.9 Property, plant and equipment (continued)

19.4 Depreciation and Impairment

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land. Land is not depreciated as it is deemed to have an indefinite life.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	30
Furniture and fixtures	7 - 10
• Equipment	15
Motor vehicles	
• Specialised Vehicles	10
• Other Vehicles	5
Office equipment	3-7
IT equipment	3
Infrastructure	
• Roads and paving	30
• Pedestrian Malls	30
• Electricity	20 - 30
• Water and Water networks	15-20
• Sewerage	15-20
• Housing	30
Community	
• Improvement	30
• Recreational facilities	20-30
• Security	5
Other property, plant and equipment	2-5
Bins and containers	5
Other leased Assets	
• Office Equipment	3-5
• Other assets	5
Specialised vehicles	10
Heritage	No depreciation

1.9.5 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no are further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.9.6 Leased Assets will be fully depreciated over the shorter of the lease term and its useful life.

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.10 Investment property

Accounting Policies

1.10 Investment property (continued)

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the enterprise, and the cost or fair value of the investment property can be measured reliably.

1.10.1 Initial recognition

Investment property is initially recognised at cost including transaction costs once it meets the definition of investment property. Where investment was acquired through a non-excahnge transaction (i.e. where it acquired the investment property for no or a nominal value), its costs is its fair value as at the date of the acquisition. Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment prpoerty only when there is a change in use. For transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. The cost of self-constructed investment property is the cost at date of completion.

1.10.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of property is included in surplus or deficit for the period in which it arises.

1.10.3 De-recognition

Investment property is derecognised when it is dispoed or when there are no further economic benefitsexpected from the use of the investment property. The gian or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.11 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

1.11.1 Initial Recognition

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Accounting Policies

1.11 Intangible assets (continued)
1.11.2 Subsequent Measurement - Cost Model

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Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

1.11.3 Amortisation and Impairment

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 years

1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Accounting Policies

1.13 Non-current assets held for sale and disposal groups

1.13.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.13.2 Subsequent measurement

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.14 Financial instruments

The municipality recognises financial instruments on the statement of position include trade and other receivables, cash and cash equivalents, annuity loans and trade and other payables

Initial recognition and measurement

Financial instruments are initially recognised at fair value.

Subsequent measurement

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment in other comprehensive income and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Accounting Policies

1.14 Financial instruments (continued)

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an Provision account, and the contribution amount is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the Provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating income in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Accounting Policies

1.14 Financial instruments (continued)

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Accounting Policies

1.15 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Accounting Policies

1.16 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.17 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Accounting Policies

1.18 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent Assets and or Liabilities that are known will be reflected and treated seperately in the notes to the financial statement.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in notes of the annual financial statement 46.

1.19 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Accounting Policies

1.19 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Post retirement medical obligations

The municipality provides post-retirement health care benefits by subsidizing the medical aid contributions upon retirement to some retirees according to the rules of the medical aid funds.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

Emthanjeni Council pays 70 % as contribution and the remaining 30 % are paid by the members.

Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee. The collective agreement at the SALGBC gives also effect to accrued leave pay.

1.20 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Accounting Policies

1.21 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Accounting Policies

1.24 Irregular expenditure (continued)

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.25 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of

1.26 Capital Replacement Reserve

Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised. No interest will be capitalised agianst the Capital Replacement Reserve.

1.27 Gratuities

The municipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

1.28 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. It includes full-time councillors, being the Mayor, Speaker, members if the Executive committee and Councillors. Key management personnel is defined as the Municipal Manager or as designated by the Municipal Manager.

1.29 Amended disclosure policy

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and the presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors and the treatment of assets financed by external grants.

Figures in Rand	2010	2009

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

1. The Depreciation of Investment Property and Heritage Assest have changed. No depreciation will be charged on Heritage assets, and Investment property will be disclosed at Faor value.

Investment Property

During the year, the Emthanjeni Municipality changed its accounting policy with respect to the treatment of Investment Property. The municipality has treated Investment property, in the previous year, at cost less depreciation less any accumulated impairment. Currently the investment property is measured at fair value.

Effect of the change in accounting policy		
Investment at cots/fair value	187,305	268,810
Accumulated depreciation written back/ (Adjustment)	-	10,341
Fair value adjustment of Investment prpoerty during the year	-	(91,846)
Fair value at 30 June	**187,305**	**187,305**

Other 2

3. Inventories

Water	1,864,230	1,860,909
Stores, materials and fuels	795,236	564,673
	2,659,466	**2,425,582**

The municipality has taken advantage of the excemptions according Directive 4- Transitional Provisions for Medium and Low Capacity Municipalities.

4. Current tax payable (receivable)

Reconciliation of Total Output and Total Input VAT for the year		
Opening Balance at 01 July	332,831	156,884
Output VAT	(6,891,924)	(5,988,766)
Input VAT	8,581,311	7,593,623
Payments made to SARS during the year	346,096	991,559
Payments received from SARS during the year	(1,685,728)	(570,844)
Payments received from SARS directly credited against the Accumulated Surplus	-	(1,849,625)
Cloasing Balance at 30 June	**682,586**	**332,831**

5. Current Investments

Current investments at financial position date

Current Investments	8,307,417	7,680,206

Current Investments are fixed deposits made for a period longer than three (3) months to a period of 12 months at commercial banks.

6. Other receivables from non-exchange transaction

Rates Levies	4,530,225	2,469,779
Provision for Debt Impairment: Rates	(3,606,437)	(1,210,518)

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
	923,788	**1,259,261**
Rates Levies		
Current (0 - 30 days)	(606,874)	478,290
31 - 60 days	584,403	163,045
61- 90 days	806,865	135,720
91 - 120 days	3,745,831	1,692,724
Less: Provision for debt Impairment	(3,606,437)	(1,210,518)
	923,788	**1,259,261**

7. Trade and other receivables from exchange transactions

Trade debtors	2,434,412	1,446,122

Figures in Rand	2010	2009

8. Consumer debtors

Gross balances		
Rates (see non-exchangeable receivables)	-	-
Electricity	10,979,955	8,365,801
Water	15,138,563	10,010,101
Sewerage	7,338,403	3,803,542
Refuse	3,044,712	1,061,149
Housing rental	280,680	175,973
Other Consumer debtors	909,617	828,322
	37,691,930	**24,244,888**
Less: Provision for debt impairment		
Electricity	(5,954,095)	(3,234,455)
Water	(11,454,735)	(5,912,715)
Sewerage	(5,344,217)	(2,224,043)
Refuse	(1,765,629)	(505,203)
Commonage Rental Debtors	(1,262,265)	(492,276)
Housing rental	(295,128)	(133,002)
Other Receivables	374,148	(106,167)
	(25,701,921)	**(12,607,861)**
Net balance		
Electricity	5,025,860	4,215,973
Water	3,683,828	5,012,775
Sewerage	1,994,186	1,579,499
Refuse	1,279,083	555,946
Commonage Rental Debtors	(1,262,265)	(492,276)
Housing rental	(14,448)	42,971
Other Receivables	1,283,765	722,139
	11,990,009	**11,637,027**
Electricity		
Current (0 -30 days)	(13,207)	2,555,179
31 - 60 days	2,111,669	583,137
61 - 90 days	732,620	515,509
91 - 120 days	8,148,873	3,796,603
Less: Provision for Debt Impairment	(5,954,095)	(3,234,455)
	5,025,860	**4,215,973**
Water		
Current (0 -30 days)	(141,470)	1,434,823
31 - 60 days	1,151,325	624,919
61 - 90 days	734,541	779,954
91 - 120 days	13,394,167	8,085,794
Less: Provision for Debt Impairment	(11,454,735)	(5,912,715)
	3,683,828	**5,012,775**
Sewerage		
Current (0 -30 days)	(84,060)	579,681
31 - 60 days	747,682	378,347
61 - 90 days	500,431	353,900
91 - 120 days	6,174,350	2,491,614
Less: Provision for Debt Impairment	(5,344,217)	(2,224,043)
	1,994,186	**1,579,499**

Figures in Rand	2010	2009
8. Consumer debtors (continued)		
Refuse		
Current (0 -30 days)	(74,592)	306,564
31 - 60 days	409,913	194,462
61 - 90 days	270,749	177,591
91 - 120 days	2,438,642	382,532
Less: Provision for Debt Impairment	(1,765,629)	(505,203)
	1,279,083	**555,946**
Commonage		
Current (0 -30 days)	(15,650)	(15,304)
31 - 60 days	8,482	8,482
61 - 90 days	8,482	8,482
91 - 120 days	785,576	(675,093)
Less: Provision for Debt Impairment	(692,934)	181,157
	93,956	**(492,276)**
Housing rental		
Current (0 -30 days)	(16,604)	(1,516)
31 - 60 days	86	131
61 - 90 days	86	117
91 - 120 days	6,029	35,234
Less: Provision for Debt Impairment	-	9,005
	(10,403)	**42,971**
Other (specify)		
Current (0 -30 days)	22,965	(21,623)
31 - 60 days	50,304	19,956
61 - 90 days	49,458	8,581
91 - 120 days	-	821,392
Less: Provision for Debt Impairment	-	(106,167)
	122,727	**722,139**
Reconciliation of debt impairment provision		
Balance at beginning of the year	13,818,379	5,695,501
Contributions to provision	15,864,212	50,559,743
Debt impairment written off against provision	(374,233)	(42,436,865)
	29,308,358	**13,818,379**

Figures in Rand	2010	2009

9. Operating lease asset

The Municipality as a Lessor

Various of the municipal properties and assets are being leased to third parties where income is generated. Rental income is expected to yield during the lease period. Lease agreements are cancellable and their terms are betwen 2 to 10 years.

Emthanjeni municipality has taken advantage of the exemptions according Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities.

The following outstanding commits due to the municipality is as follows:t

Minimum lease payments due to Emthanjeni municipality		
Within one year	239,337	252,726
One to five (1 - 5) years	652,047	801,436
More than five (5) years	-	89,949
	891,384	**1,144,111**
Reconciliation		
Amount previously recorded	246,040	-
Movements during the year	(5,105)	246,040
Balance on 30 June	**240,935**	**246,040**

10. Non Current Accounts Receivables

De Aar Country Club

Emthanjeni Municipality had granted a long term loan to De Aar Country Club for the acquisition of the De Aar Country Club. This loan which attract interest at 10% per annum, which is repaybale over a maximum of 20 years. Bi- annual instalments are payable in arrears in December and June each year.

Reconciliation of Non Current Receivables		
Opening balance	55,205	62,907
Transferred of current portion to Current Receivables	(12,796)	(12,180)
Adjustments during the year	-	4,478
Provision for Impairment of Non Current Receivables	-	-
	42,409	**55,205**

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,160	1,160
Bank balances	-	197,612
Short-term deposits	3,449,006	1,437,534
Other cash and cash equivalents	39,000	9,000
Bank overdraft	(2,304,836)	(1,872,487)
	1,184,330	**(227,181)**
Current assets	3,489,166	1,645,306
Current liabilities	(2,304,836)	(1,872,487)
	1,184,330	**(227,181)**

11. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2010	June 30, 2009	June 30, 2008
ABSA BANK - Cheque Account: 185 000 0081 - De Aar	4,442,406	3,586,602	(1,680,915)	(1,725,780)	(1,872,487)	(7,387,380)
STANDARD BANK - Cheque Account: 2803 50007 - De Aar	2,925	4,974	28,168	2,925	21,900	42,670
ABSA BANK - TVS Cheque Account: 4061 685 162 - De Aar	210,154	150,942	69,061	(581,981)	154,942	73,161
ABSA BANK - Investment Account: 2062198906 - De Aar	5,673,116	5,244,630	69,061	5,673,116	5,244,630	73,161
ABSA BANK - Investment Account: - 2052997314 : De Aar	7,436	7,034	6,385	7,436	7,034	6,385
ABSA BANK - Investment Account: 2062198817- De Aar	2,436,847	2,252,794	1,982,220	2,436,847	2,252,794	1,982,220
ABSA BANK - Investment Account: 2062199059 - De Aar	190,019	175,748	154,844	190,019	175,748	154,844
ABSA BANK - Investment Account: 9118567212 - De Aar	1,000	2,000	1,000	1,000	2,000	1,000
ABSA BANK - Call Account - 9133464768- De Aar	-	1,014	1,223	-	1,014	1,223
ABSA BANK - Call Account - 9135303251- De Aar	-	1,000	21,714	-	1,000	21,714
ABSA BANK - Call Account: 9168828440 - De Aar	1,590,501	2,000	91,813	1,590,501	2,000	91,813
ABSA BANK - Call account: 9180991253 - De Aar	-	1,001	2,353	-	1,001	2,353
ABSA BANK - Call Account: 9187848328 - De Aar	1,000	2,000	1,000	1,000	2,000	1,000
ABSA BANK - Call Account: 9197808413 - De Aar	2,024	2,000	883,465	2,024	2,000	883,465
ABSA BANK - Call Account: 9199813620 - De Aar	1,000	34,808	152,332	1,000	34,808	152,332
ABSA BANK - Call Account: 9205813362- De Aar	135,993	133,929	441,092	135,993	133,929	441,092
ABSA BANK- Call Account: 9205813663 - De Aar	-	1,000	150,000	-	1,000	150,000
ABSA BANK - Call Account: 9205814279 - De Aar	51,899	51,112	224,701	51,899	51,112	224,701
ABSA BANK - Call Account: 9207882270 - De Aar	2,793	2,177	-	2,793	2,117	-
ABSA BANK - Call Acccount: 9222035197 - De Aar	1,000	712,617	-	1,000	712,617	-
ABSA BANK - Call Account: 9223682147 - De Aar	288,186	301,705	-	288,186	301,705	-
ABSA BANK - Call Account: 9228175838 - De Aar	722,539	187,000	-	722,539	187,000	-
ABSA BANK - Call Account: 2068494239 - De Aar	2,274	2,170	-	2,274	2,170	-
ABSA BANK - Call Account: 9233114081 - De Aar	648,796	-	-	648,796	-	-
Total	**16,411,908**	**12,860,257**	**2,599,517**	**9,451,587**	**7,422,034**	**(3,084,246)**

12. Property, plant and equipment

	2010	2009

Figures in Rand	2010	2009

12. Property, plant and equipment (continued)

	Cost	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	39,904,225	-	39,904,225	42,917,151	-	42,917,151
Buildings	22,462,836	(3,016,279)	19,446,557	27,843,492	(1,608,136)	26,235,356
Infrastructure	192,770,740	(25,356,165)	167,414,575	477,622,067	(18,292,578)	459,329,489
Other property, plant and equipment	8,728,062	(5,321,285)	3,406,777	8,062,215	(1,056,933)	7,005,282
Other leased Assets	349,680	(316,670)	33,010	1,411,648	(1,037,740)	373,908
Heritage	826,592	-	826,592	1,191,098	(29,990)	1,161,108
Total	**265,042,135**	**(34,010,399)**	**231,031,736**	**559,047,671**	**(22,025,377)**	**537,022,294**

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Prior period errors	Depreciation	Impairment loss	Total
Land	42,917,150	-	-	(3,012,925)	-	-	39,904,225
Buildings	26,235,356	626,177	-	(6,256,609)	(1,158,367)	-	19,446,557
Furniture and fixtures	-	788,967	(4,285)	195,242	(370,585)	-	609,339
Motor vehicles	-	109,383	-	825,218	(394,416)	-	540,185
Office equipment	-	792,165	-	1,014,099	(185,734)	-	1,620,530
IT equipment	-	157,282	-	408,221	(180,057)	-	385,446
Infrastructure	459,329,489	-	-	(459,329,489)	-	-	-
Other property, plant and equipment	7,005,282	-	-	(7,005,282)	-	-	-
Roads	-	803,566	-	47,936,911	(3,424,344)	-	45,316,133
Solid Waste	-	70,643	-	4,588,257	(501,859)	-	4,157,041
Water	-	14,372	-	26,027,698	(906,025)	-	25,136,045
Electricity	-	6,046,635	-	50,005,779	(2,325,759)	-	53,726,655
Other leased Assets	373,908	83,650	(1,379,220)	1,737,979	(783,307)	-	33,010
Waste Water Networks	-	5,096,200	-	34,069,360	(1,275,589)	(277,918)	37,612,053
Airports	-	-	-	341,875	(154,538)	-	187,337
Railways	-	-	-	749,385	(85,557)	-	663,828
Cemetries	-	-	-	914,227	(47,467)	-	866,760
Heritage	1,161,108	-	-	(334,516)	-	-	826,592
	537,022,293	**14,589,040**	**(1,383,505)**	**(307,124,570)**	**(11,793,604)**	**(277,918)**	**231,031,736**

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	Transfers	Revaluations	Depreciation	Total
Land	10,473,111	-	(2,122,747)	34,566,786	-	42,917,150
Buildings	26,821,373	2,047,623	(3,982,471)	2,956,967	(1,608,136)	26,235,356
Furniture and fixtures	2,787,115	-	(2,787,115)	-	-	-
Motor vehicles	3,782,441	-	(3,782,441)	-	-	-
Office equipment	2,176,533	-	(2,176,533)	-	-	-
IT equipment	709,392	-	(709,392)	-	-	-
Infrastructure	135,838,058	363,480	38,999,324	302,421,205	(18,292,578)	459,329,489
Other property, plant and equipment	-	1,015,172	7,081,043	(34,000)	(1,056,933)	7,005,282
Water network	26,650,215	-	(26,650,215)	-	-	-
Leased infrastructure	871,084	-	-	-	(497,176)	373,908
Heritage	-	-	-	1,191,098	(29,990)	1,161,108
Loans redeemed and other Capital Receipts written off in terms of GRAP conversion	(201,231,551)	-	201,231,551	-	-	-
	8,877,771	**3,426,275**	**205,101,004**	**341,102,056**	**(21,484,813)**	**537,022,293**

Figures in Rand	2010	2009

12. Property, plant and equipment (continued)
Property, Plant and Equipment

The PPE summary schedule of 2009 changed due to the unbundling amounts rectified against the opening balances at 01 July 2008. The approcah was to take the totals of PPE to their historcial cost before the Conversion from IMFO to GRAP.

GRAP 17 - Property, Plant and Equipment
Emthanjeni municipality has opted to take advantage of the transitional provisions as stated in Directive 4 issued by the Accounting Standards in March 2009. The municipality did not measure all its Property, plant and equipment in accordance with the Grap standard which include the following:

-Land
-Property, plant and equipment financed by way of provisions
-Property, plant and equipment transfered as a result of functions; and
Componentisation of infrastructure assets.

Action plan in order to fully comply with Grap 17

The municipality is currently busy identifying all Property, plant and equipment and also have it valued in terms of the measurement criteria of GRAP 17. This exercise is expected to be fully completed for inclusion in the 2012 financial statements. The municipality is also in the process of itemising all infrastructure, community and heritage assets. Accumulated depreciation will be re-calculated after the measurement of ppe has been completed by 30 June 2012. Currently depreciation on these property, plant and equipment is calculating on the basis of estimated useful life as determine for each category of infrastructure and community and heitage assets where "deemed costs" forms the basis for the costs that are being recorded in the accounting records.

The municipality did not fully measure the following in terms of the transitional provisions:
-Review the useful life of item of PPE in the annual financial statements
-Review of the depreciation method applied to PPE recognised in the annual financial statements.
-Review of residual values of item of PPE recognised in the annual financial statements.
-Impairment of non-cash generating assets.
-Impairment of cash generating assets.

Impairment of PPE: Sewerage Reticulation Netwrok

The Sewerage Network Reticulation Network in the Industrial Area of Hill-Side in De Aar has been erected for the past twenty years but the network is not in use since the construction of these network. The network aslo does not linked to the main sewer connection.

An impairment loss on the network resulted in changes in the market to which these network never come into operation. The recoverable amount is its fair value less cost to sell based on arm's length transction , R0, as no willing buyer could or would be interested in the pipes that are burried underground. An Reversal in the Impairment can also materialised once the Industrial arae develops.Carrying value of assets pledged as security against the financing of the assets.

Reconciliation of Impairment of Sewerage Reticulation Network

Historical deemed cost at beginning of year	313,015	-
Accumulated Depreciation at end of year	(35,096)	-
Carrying Value at end of year	277,921	-
Recoverable amount	1	-
Impairment loss recognised in the Statement of Performance	277,920	-

Figures in Rand	2010	2009

12. Property, plant and equipment (continued)

Leased Assets at Net Carrying Value

Other leased Assets	156,295	373,908

Reconciliation between minimum lease payments value of all finance leases

Within 1 year	474,299	471,797
1 to 5 Years	615,468	402,882
	1,089,767	**874,679**

1. Canon (Pty) Ltd

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Emthanjeni Municipality leases photcopiers, laser faxes and printers from Canon for a period of 5 years. The lease/rental agreement makes provision for monthly lease/rental payments. The commencement date of monthy lease/rentals varied but the first lease started on 01/04/2004 with the last instalment date 30 September 2010. The initial total monthly rental was R945 and last total payment for all leases will be R1159. Ownership of assets will not pass to Emthanjeni Municipality but during the term of the agreement, Emthanjeni Municipality has full control and usage over the assets and has exclusive use of the assets for the fulll duration of the lease/rental agreement.
The monthly lease/rental payments escalate at 15 % per annum since the lease/rental agreement commenced, and interest was capitalised during the first half of the lease term.

Reconciliation between the total minimum lease payments and their present value:

At 30 June 2010

	Up to 1 year	**1 to 5 years**	**Total**
Amount at balance sheet date	2, 642	0	2, 642
Finance cost	596	0	596
Present value	2, 045	0	2, 045

At 30 June 2009

	Up to 1 year	**1 to 5 years**	**Total**
Amount at balance sheet date	38, 085	2, 642	40, 727
Finance cost	3, 072	596	8, 730
Present value	35, 013	2, 045	37, 061

These assets are secured over the leased term

12. Property, plant and equipment (continued)

2. Katlego (Pty) Ltd

Emthanjeni Municipality leases photcopiers, laser faxes and printers from Katlego for a period of 3 years. The lease/rental agreement makes provision for monthly lease/rental payments. The commencement date of monthly lease/rentals varied but the first lease started on 31/01/2007 with the last instalment date 31 January 2010. The initial total monthly rental was R46173.95 and last total payment for all leases is R47 584.41 . Ownership of assets will not pass to Emthanjeni Municipality but during the term of the agreement, Emthanjeni Municipality has full control and usage over the assets and has exclusive use of the assets for the fulll duration of the lease/rental agreement.
The monthly lease/rental payments escalate at 15 % per annum since the lease/rental agreement commenced, and interest was capitalised during the first half of the lease term.

Reconciliation between the total minimum lease payments and their present value:

At 30 June 2010

	Up to 1 year	**1 to 5 years**	**Total**
Amount at balance sheet date	0	0	0
Finance cost	0	0	0
Present value	0	0	0

At 30 June 2009

	Up to 1 year	**1 to 5 years**	**Total**
Amount at balance sheet date	250, 762	0	250, 762
Finance cost	8, 894	0	8, 894
Present value	241, 868	0	241, 868

These assets are secured over the leased term

3. Siemens (Pty) Ltd

Emthanjeni Municipality leases a telephone system from Siemens via Centrafin for a period of 5 years. The lease/rental agreement makes provision for monthly lease/rental payments. The commencement date of monthy lease/rental payments was 01/03/2004 with an instalment of R3175 that remains the same throughout the lease/rental agreement term with last premium of R3175 on 31 March 2009. Ownership will not pass to Emthanjeni municipality but during the term of the agreement, Emthanjeni Municipality have full control and usage and exclusive use of the assets for the fulll duration of the lease/rental agreement.

Reconciliation between the total minimum lease payments and their present value:

At 30 June 2010

	Up to 1 year	**1 to 5 years**	**Total**
Amount at balance sheet date	0	0	0
Finance cost	0	0	0
Present value	0	0	0

At 30 June 2009

	Up to 1 year	**1 to 5 years**	**Total**
Amount at balance sheet date	25, 399	0	5, 399
Finance cost	397	0	397
Present value	24, 473	0	4, 473

These assets are secured over the leased term

12. Property, plant and equipment (continued)

4. Konica Minolta (Pty) Ltd

Emthanjeni Municipality leases a Photocopier from Konica Minolta via Centrafin for a period of 5 years. The lease/rental agreement makes provision for monthly lease/rental payments. The commencement date of monthy lease/rental payments was 01/04/2008 with an instalment of R2791 that remains the same throughout the lease/rental agreement term with last premium of R3175 on 31 March 2013. Ownership will not pass to Emthanjeni municipality but during the term of the agreement, Emthanjeni Municipality have full control and usage and exclusive use of the assets for the fulll duration of the lease/rental agreement.

Reconciliation between the total minimum lease payments and their present value:

At 30 June 2010

	Up to 1 year	**1 to 5 years**	**Total**
Amount at balance sheet date	25,399	66 718	92 117
Finance cost	927	16 478	17405
Pesent value	24,473	66 717	74 712

At 30 June 2009

	Up to 1 year	**1 to 5 years**	**Total**
Amount at balance sheet date	33, 497	92, 117	125, 615
Finance cost	13, 235	17, 405	30, 640
Present value	20, 262	74, 712	94, 974

These assets are secured over the leased term

5. ABSA BANK

5.1. ABSA BANK - PHOTOCOPIERS

Emthanjeni Municipality purchased new Samsung Photocopiers from Canon Bfn. ABSA Bank financed these acquisitions via a Finance Lease over these assets for a period of 3 years. The finance lease agreement makes provision for monthly lease payments. The commencement date of monthy lease payments will be on 31/07/2010 with an instalment of R2699 . The monthly installments are linked to the prime rate throughout the lease agreement term with last premium of R2699 on 30 June 2013. Ownership has already being vested to Emthanjeni municipality at the end of the term of the agreement. Emthanjeni Municipality have full control and usage and exclusive use of the assets for the fulll duration of the lease agreement.

Reconciliation between the total minimum lease payments and their present value:

At 30 June 2010

	Up to 1 year	**1 to 5 years**	**Total**
Amount at balance sheet date	25,399	64, 780	97, 169
Finance cost	7, 233	6, 289	13, 519
Present value	25, 157	58, 493	83, 650

At 30 June 2009

	Up to 1 year	**1 to 5 years**	**Total**
Amount at balance sheet date	0	0	0
Finance cost	0	0	0
Present value	0	0	0

These assets are secured over the leased term

6. NASHUA MOBILE CELLPHONES

12. Property, plant and equipment (continued)

Emthanjeni Municipality has a number of 66 cellphone contracts with Nashua Mobile for a period of 24 months. These cellphone contracts provide the users of these cellphone with specified airtime and a celphone. These cellphone contracts monthly's installments varies from R20 to R800. The first monthly installments commenced on 31 March 2008 and the last monthly installment for the current batch of contracts will 31 May 2012. The monthly installments were calculated at a cost of cpiatl rate of 10% rate throughout the contract agreement term. Ownership has already being vested to Emthanjeni municipality at the end of the term of the agreement. Emthanjeni Municipality have full control and usage and exclusive use of the assets for the fulll duration of the lease agreement.

Reconciliation between the total minimum lease payments and their present value:

At 30 June 2010

	Up to 1 year	1 to 5 years	Total
Amount at balance sheet date	209, 199	98, 924	308, 123
Finance cost	24, 229	5, 873	30, 102
Present value	184, 970	93, 051	278, 021

At 30 June 2009

	Up to 1 year	1 to 5 years	Total
Amount at balance sheet date	124 054	308 123	432, 177
Finance cost	3 657	30 102	33, 759
Present value	103 672	278 021	381, 693

These assets are secured over the leased term

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Emthanjeni Municipality.

13. Investment property

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	187,305	-	187,305	187,305	-	187,305

Reconciliation of investment property - 2010

	Opening balance	Total
Investment property	187,305	187,305

Reconciliation of investment property - 2009

	Opening balance	Changes in accounting policies	Total
Investment property	258,469	(71,164)	187,305
Fair value of investment properties		187,305	187,305

The investment property consists out of a municipal building which is being fully (100 %) occupied by the Department of Weather Services. Investment property will be revalued every four years when the general valuations will be done.

See note on Change of Accounting policy.

Figures in Rand	2010	2009

13. Investment property (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was Tuesday, July 01, 2008. Revaluations were performed by an independent valuer, Mr Daniel Benjamin Grobeler. Mr Grobler is a Professional Associated Valuer and member if the S.A. Institute of Valuers. and also a member of the Council for the Property Valuers profession, profession registration number 2311, from Anzel Trading 1024 trading as Uluntu Vlauations. Anzel Trading 1024 trading as Uluntu Valuations are not connected to the municipality and have experience in location and category of the investment property valuations.

The valuation was based on open market value for existing use.

Reconciliation of valuation obtained and the valuation included in the financial statements

Figures in Rand	2010	2009

14. Intangible assets

	2010			2009		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	286,673	(132,596)	154,077	274,151	(88,113)	186,038

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Computer software, other	274,151	12,522	(132,596)	154,077

Reconciliation of intangible assets - 2009

	Opening balance	Amortisation	Total
Computer software, other	274,151	(88,113)	186,038

The municipality has teaken advantage of the exemptions according Directive 4- Transitional Provisions for Medium and Low Capacity Municipalities.

Transitional provisions

15. Consumer deposits

Water and Electricity	1,634,459	1,554,684

16. Provisions

Reconciliation of provisions - 2010

	Opening Balance	Additions	Total
Provision for the Rehabilitation of Landfill sites	739,003	70,643	809,646

Reconciliation of provisions - 2009

	Opening Balance	Additions	Reversed during the year	Total
Provisions for the Rehabilitation of Landfill sites	674,608	64,395	(442,934)	296,069
Provision for Performance Bonusses	265,445	56,164	(321,609)	-
	940,053	**120,559**	**(764,543)**	**296,069**

1. Provision for Rehabilitation of Landfill Sites

The Provision for the Rehabilitation of the landfill site will be rehabilitated at the end of the useful lives of the the landfill sites in De Aar, Hanover and Britstown. External confirmations were received from Professional Consulting Enginering firms which confirmed the net present value of the rahabiliation costs.

The Net Present Value of the the landfil sites are

(i).De Aar	R 257 517
(ii).Hanover	R 220 280
(iii).Britstown	R 196 811

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

16. Provisions (continued)

Interest charged towards the rehabiliation will be expensed through the Statement of Performance.

An prior year error in regards provision of rehabilitation of landfil costs has been corrected. See note on prior year errors.

2. Provision for Accrued Leave.

The calculation of Provision of Accrued in accordance with the SALGBC collective agreement on the maximum leave accrued by employees in the municipalities.

Transitional provisions

17. Trade and other payables from exchange transactions

Trade payables	983,259	1,271,127
Payments received in advanced - contract in process	1,131,153	1,213,614
Other payables : Medical Contributions	17,116	4,668
Sundry Deposits received	175,966	165,233
Other payables	539,245	571,240
Other creditors	148,307	-
Unknown Deposits	3,142,409	1,427,344
Other Creditors: Unspent alloaction received	-	224,375
	6,137,455	**4,877,601**

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Unspent grants	4,413,327	1,507,787

Movement during the year

Balance at the beginning of the year	1,507,787	1,507,787
Additions during the year	2,791,714	-
Income recognition during the year	113,826	-
	4,413,327	**1,507,787**

19. Taxes and transfers payable (non-exchange)

VAT Payable	4,108,919	2,758,674

Emthanjeni Municipality is registered with SARS, VAT payable, on the cash payment basis. Only once payment is received from debtors, VAT becomes due to/ pay over to SARS.

Figures in Rand				2010	2009
20. Long-term Liabilities					
Held at amortised cost					
DBSA Bank loans				4,950,317	6,268,127
				-	-
				4,950,317	6,268,127
The following loans terms and conditions are:					
10117/102	Electricity Loan (Waterdal Extention)	@	10%		
10117/202	Elelctricty Loan	@	10%		
10117/111	Vehicle Loan	@	11%		
Non-current liabilities					
At amortised cost				3,999,875	4,950,316
Current liabilities					
Current portion of Long-term Liabilities				950,442	1,317,811
				3,999,875	4,950,316
				950,442	1,317,811
				4,950,317	**6,268,127**
Fair value of the financial liabilities carried at amortised cost					
10117/102 DBSA Loan (Upgrading of Network)				983,865	1,098,863
10117/202 DBSA Electricty Loan (Waterdal)				3,484,684	3,788,965
10117/111 DBSA Vehicle Loan				481,767	1,380,299
				4,950,316	**6,268,127**

Figures in Rand	2010	2009

21. Interest Bearing Borrowing

Minimum lease payments due		
- within one year	260,988	442,893
- in second to fifth year inclusive	481,943	102,360
Present value of minimum lease payments	**742,931**	**545,253**
Present value of minimum lease payments due		
- within one year	203,491	297,131
- in second to fifth year inclusive	469,210	76,777
	672,701	**373,908**
Non-current liabilities	202,664	76,777
Current liabilities	235,784	297,131
	438,448	**373,908**

Interest-Bearing Borrowings

The municipality leases office automation, other office equipment and have cellphone contracts under finance leases.

The average lease term was 3-5 years and the average effective borrowing rate was 10.0-% (2009: 10.5).Interest rates are linked to prime at the contract date. All leases have fixed repayments .

Emthanjeni Municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

The above liability is secured by finance lease agreements in respect of

1. Canon for Photocpiers, Laserfaxes and Printers

The effective monthly instalments increased twice per financial year. The monthly instalments at the current year end amounted to R1159, while commencing on 31 March 2005 with the final payments on 31 July 2010.

The agreement does provide for contingent lease rent instalments. The assets are secured over the finance lease term.

2. Katlego for Photocpiers, Laserfaxes and Printers

The effective monthly instalments increased twice per financial year. The monthly instalments at the current year end amounted to R47 658, while commencing on 31 March 2005 with the final payments on 31 January 2010.

The agreement did provide for contingent lease rent instalments. The assets are secured over the finance lease term.

3. Siemens for Telephone Systems

The effective monthly instalments increasedonce per financial year. The last monthly instalments was R3175, and at current year end amounted to R0, while commencing on 31 March 2005 with the final payments on 31 March 2009. This lease has expired and has not been renewed.

The agreement does provide for contingent lease rent instalments. The assets are secured over the finance lease term.

Figures in Rand	2010	2009

21. Interest Bearing Borrowing (continued)

4. Konica Minolta for Photocpier

The effective monthly instalments are linked to the prime rate of commercial banks. The monthly instalments at the current year end amounted to R2669, while commencing on 01 April 2008 with the final payments on 31 March 2013.

The agreement does provide for contingent lease rent instalments. The assets are secured over the finance lease term.

5. ABSA BANK

5**.1 ABSA BANK - Samsung Photocopiers**

The effective monthly instalments are linked to the prime rate of commercial banks. The current monthly instalments of R2,699 will commence on 31 July 2010 with the final payments on 30 June 2013.

The agreement does not provide for contingent lease rent instalments. The assets are secured over the finance lease term.

6. NASHUA MOBILE KIMBERLEY - Cellphones

The effective monthly instalments are linked to the prime rate of commercial banks. The current monthly instalments of R2,699 will commence on 31 July 2010 with the final payments on 30 June 2013.

The agreement does not provide for contingent lease rent instalments. The assets are secured over the finance lease term.

22. Retirement benefits

Movements for the year

Opening balance	15,243,385	14,342,345
Contributions by members	508,990	-
Benefits paid	(724,073)	(630,104)
Short-term portion of Long-term Post Retirement benefit	(922,225)	(707,142)
Net expense recognised in the statement of financial performance	6,375,384	2,238,286
	20,481,461	**15,243,385**

Net expense recognised in the statement of financial performance

Current service cost	(360,946)	(289,175)
Interest cost	1,451,915	1,512,377
Actuarial (gains) losses	4,362,190	307,942
Shortterm portion of Longterm Post retirement benefit	922,225	707,142
	6,375,384	**2,238,286**

Current Liabilities: Post Retirement Employee Benefit Obligation

Post Retirement Employee Benefits Obligation	922,225	707,142
Accrued Leave	3,035,556	2,649,493
Performance Bonusses	-	-
	3,957,781	**3,356,635**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

22. Retirement benefits (continued)

Key assumptions used

Assumptions used on last valuation on Monday, June 21, 2010.

Discount rates used	9.13 %	8.90 %
Health Care Cost Inflation Rate	7.15 %	7.80 %
Replacement ratio	65.00 %	- %

Other assumptions

1. Plan Assets

Management has indicated that there are no long-term assets set aside off-balance sheet in respect of the Municipality's post-employment health care liability.

2. Demographic Assumptions

Demographic assumptions are required to estimate the changing profile of current employees and retirees who are eligible for post-employment benefits

3. Pre-retirement Mortality

SA85-90 ultimate table, adjusted for female lives (55% of males lives)

4. Post-retirement Mortality

PA(90) ultimate table, adjusted down by one year of age for males, up one year for females

5. Withdrawal from Service

If an eligible in-service employee leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates. A sample of the assumed rates is set out below of the Withdrawal rates

Age	Females	Males
20	13%	13%
25	13%	13%
30	11%	11%
35	6%	6%
40	4%	4%
45	3%	3%
50	0%	0%
> 55	0%	0%

6. Average Retirement Age:

The normal retirement age for eligible male and female in-service employees is 65 and 60 respectively. in It has been assumed these employees will retire at age 63 and 59 respectively, which then implicitly allows for expected rates of early retirement. Ill health retirement is considered separately below.

7. Continuation of Membership

It has been assumed that 90% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

8. Proportion of current eligible non-members on a medical aid scheme at retirement

It has been assumed that 40% of current eligible in-service non-members will be on a medical aid scheme at retirement (should they not exit employment before then).

Figures in Rand	2010	2009

22. Retirement benefits (continued)
9. Family Profile (retirees)

It has been assumed that 90% of eligible in-service employees on a health care arrangement at retirement will be married at retirement. Further, it has been assumed that in-service husbands will be three years older than their wives. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

10. Ill Health Retirement

If an eligible employee falls ill and is unable to continue employment, the employee shall still be entitled to a post-employment medical aid subsidy. A sample of the assumed rates of ill-health retirement is set out below.

Age	Females	Males
20	0.04%	0.07%
25	0.04%	0.06%
30	0.04%	0.07%
35	0.06%	0.10%
40	0.09%	0.15%
45	0.15%	0.26%
50	0.26%	0.44%
55	0.42%	0.75%
60	N/A	1.22%

11. Other Assumptions

It was assumed that the Municipality's health care arrangements and subsidy policy would remain as is. Furthermore, it was assumed that the level of benefits receivable, and the contributions payable in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidy from in-service members to continuation members within the medical scheme are sustainable, and will continue.

12. The municipality makes monthly provisions for health care arrangements to the following medical aid schemes:

Hosmed
LA Health
Munimed - Key Health
Bonitas
Samwumed
Prosano

The municipality's Accrued unfunded Liability at 30 June 2010 is estimated at R21,4 million. The Current-service costs for the year ending 30 June 2010 is estimated at R363, 127. It is estimated to be R922 225 for the ensuing year.

The municipality's Accrued unfunded Liability at 30 June 2010 is estimated at R21,4 million. The Current-service costs for the year ending 30 June 2010 is estimated at R363, 127. It is estimated to be R922 225 for the ensuing year.

13. Accrued leave

The calculation of Provision of Accrued Leave in accordance with the SALGBC collective agreement on the maximum leave accrued by employees in the municipalities

Figures in Rand	2010	2009
22. Retirement benefits (continued)		
The Post Retirement Benefit is a defined benefit plan, of which the members are made up as follows		
In-service(employee) members	57	54
In-service (employees) non members	270	264
Continuation members (e.g. Retirees, widows, orphans)	31	32
Total members	**358**	**350**
The liability in respect of past service has been estimated to be as follows:		
In-service members	12,173,258	5,572,650
Continuation members	9,230,428	10,377,877
Total Liability	**21,403,686**	**15,950,527**
23. Capital replacement reserve		
Capital replacment reserve	2,252,793	2,252,793
24. Revenue		
Property rates	11,598,534	10,586,770
Service charges	55,599,396	46,525,380
Rental of facilities & equipment	425,286	366,454
Interest received - outstanding debtors	718,603	1,414,777
Fines	11,012,326	3,185,920
Licences and permits	1,051,860	1,019,901
Government grants & subsidies	42,275,396	27,996,502
Proceeds on Sale of Land	352,034	443,665
	123,033,435	**91,539,369**
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	55,599,396	46,525,380
Rental of facilities & equipment	425,286	366,454
Dividends received	718,603	1,414,777
Licences and permits	1,051,860	1,019,901
	57,795,145	**49,326,512**
The amount included in revenue arising from non-exchange transactions is as follows:		
Property rates	11,598,534	10,586,770
Fines	11,012,326	3,185,920
Government grants & subsidies	42,275,396	27,996,502
Revenue: Sale of PPE	352,034	443,665
	65,238,290	**42,212,857**

Figures in Rand	2010	2009

25. Property rates

Rates received

Residential	24,783,819	10,586,770
Less: Income forgone	(13,185,285)	-
	11,598,534	**10,586,770**

Valuations

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of - (2009: -) is applied to property valuations to determine assessment rates. Rebates of 100% (2009: 100%) are granted to residential property whose market value is R18 000 and less and agriculture properties are levied as per Government Gazette of 2009.

Rates are levied on both an monthly and annual basis with the final date for payment for annual levies, being Thursday, September 30, 2010 (Wednesday, September 30, 2009). Interest at prime plus 1% per annum (2009: 1%) and a collection fee of -% (2009: -%), is levied on rates outstanding two months after due date.

The new general valuation has been implemented on 01 July 2009 with the valuation implemtation date of 01 July 2008.

26. Service charges

Sale of electricity	26,230,568	19,704,845
Sale of water	13,630,467	12,348,873
Solid waste	5,761,932	5,395,173
Sewerage and sanitation charges	9,814,700	8,929,049
Other service charges	161,729	147,440
	55,599,396	**46,525,380**

27. Rental of facilities and equipment

Garages and parking		
Rental income: Encroachment	354,893	303,092
Facilities and equipment		
Rental of facilities	70,393	63,362
Premises	-	-
Garages and parking	354,893	303,092
Facilities and equipment	70,393	63,362
	425,286	**366,454**

28. Investment revenue

Interest revenue		
Interest received in External Investments	906,083	1,338,625
Bank	(218)	-
	905,865	**1,338,625**
	-	-
	905,865	1,338,625

Figures in Rand	2010	2009

29. Government grants and subsidies

Equitable share	22,341,812	17,573,469
Finance Management Grant	750,000	500,000
Municipal Systems Improvement Grant	850,000	735,000
Library Development Fund	436,000	503,000
Primary Health Subsidy	-	845,000
Other Grants and subsidies	1,143,991	3,440,033
Government grant (operating): Department of Water Affairs	693,589	-
Subsidies: Lotto Funding	638,333	-
Government grants (capital): Housing projects	5,210,923	1,700,000
Municipal Infrastructure Grant	10,210,748	2,700,000
	42,275,396	**27,996,502**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Equitable Share Grant

Current-year receipts	22,341,812	16,882,469
Conditions met - transferred to revenue	(22,341,812)	(16,882,469)
	-	**-**

Finance Management Grant

Balance unspent at beginning of year	-	1,000
Current-year receipts	750,000	500,000
Conditions met - transferred to revenue	(750,000)	(501,000)
	-	**-**

Municipal Systems Improvement Grant

Current-year receipts	850,000	734,000
Conditions met - transferred to revenue	(850,000)	(734,000)
	-	**-**

Library Development Grant

Current-year receipts	436,000	503,000
Conditions met - transferred to revenue	(436,000)	(503,000)
	-	**-**

Housing Accreditation Subsidies

Current-year receipts	1,200,000	1,700,000
Conditions met - transferred to revenue	(1,200,000)	(1,700,000)
	-	**-**

Figures in Rand	2010	2009

29. Government grants and subsidies (continued)

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	94,287	245,768
Current-year receipts	10,980,000	2,700,000
Conditions met - transferred to revenue	(9,090,287)	(2,851,481)
Unspent portion at 30 June	-	-
	1,984,000	**94,287**

Equitable Share - Councillor Remuneration

Current-year receipts	891,000	691,000
Conditions met - transferred to revenue	(891,000)	(691,000)
	-	**-**

30. Other Municipal Income

Prepaid Electricity Sales	10,450,511	8,451,981
Sundry Own Revenue: Grants Income	4,563,022	-
Other income	461,646	879,701
	15,475,179	**9,331,682**

31. Other income

32. Employee related costs

Basic	25,780,116	23,360,545
Bonus	1,889,310	1,665,851
Medical aid - company contributions	1,708,330	1,525,086
UIF	275,247	241,437
WCA	14,415	12,440
SDL	305,005	283,099
Group Life Insurance	63,792	66,588
Leave pay provision charge	386,063	387,175
Performance Bonusses paid to s57 Managers	-	303,365
Post-employment benefits - Pension: Council contributions	4,151,318	3,884,168
Overtime payments	1,116,610	610,579
Stanby allowances	156,343	145,173
Car allowance	1,088,786	-
Housing benefits and allowances	132,227	179,117
Other Uniform Allowances	2,420	-
Encashment of Leave	157,421	132,496
Other Allowances: Firemen	193,656	1,714,010
Other Allowances: Section 57 Managers	252,523	-
	37,673,582	**34,511,129**

See note 22 on Post Retirement Employee benefits obligation and also on the face on the Statement of Performance for Acturial losses and Interest costs in relation of employee benefits.

Remuneration of municipal manager

Annual Remuneration	441,367	402,887
Car Allowance	169,563	155,562
Performance Bonuses	-	98,681
Contributions to UIF, Medical and Pension Funds	73,002	68,480
Other allowances	105,443	105,081

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
32. Employee related costs (continued)		
	789,375	**830,691**

Figures in Rand	2010	2009

32. Employee related costs (continued)

Remuneration of chief finance officer

Annual Remuneration	466,145	396,156
Car Allowance	112,542	105,840
Performance Bonuses	-	81,223
Contributions to UIF, Medical and Pension Funds	78,114	66,771
Other allowances	67,656	109,849
Remuneration due at 30 June	**724,457**	**759,839**

Remuneration of director of infrastructure and housing services

Annual Remuneration	452,349	417,652
Car Allowance	104,854	99,861
Performance Bonuses	-	77,753
Contributions to UIF, Medical and Pension Funds	75,621	70,933
Other allowances	63,093	57,694
	695,917	**723,893**

Remuneration of director corporate, community and development services

Annual Remuneration	326,797	299,000
Car Allowance	91,560	84,000
Contributions to UIF, Medical and Pension Funds	65,298	63,887
Other allowances	47,252	44,846
	530,907	**491,733**

Manager in the office of the mayor

Annual Remuneration	221,227	175,500
Car Allowance	115,996	110,400
Contributions to UIF, Medical and Pension Funds	52,798	66,240
Other	1,062	20,093
	391,083	**372,233**

Manager corporate services

Annual Remuneration	275,503	207,428
Car Allowance	89,845	78,000
Contributions to UIF, Medical and Pension Funds	86,314	62,809
Other	1,375	53,245
	453,037	**401,482**

Mananger of housing services

Annual Remuneration	296,209	281,580
Car Allowance	70,167	44,253
Contributions to UIF, Medical and Pension Funds	79,348	9,497
Other	183	61,675
	445,907	**397,005**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

32. Employee related costs (continued)

Manager of developmental services

Annual Remuneration	226,991	204,933
Car Allowance	84,063	75,000
Contributions to UIF, Medical and Pension Funds	61,990	57,006
Other	17,961	12,140
	391,005	**349,079**

Manager of financial services

Annual Remuneration	251,921	211,401
Car Allowance	72,816	74,013
Contributions to UIF, Medical and Pension Funds	66,983	58,368
Other	333	2,776
	392,053	**346,558**

Manager technical services

Annual Remuneration	240,471	213,168
Car Allowance	69,110	69,110
Contributions to UIF, Medical and Pension Funds	86,579	41,466
Other	4,829	10,491
	400,989	**334,235**

Provision for Accrued Leave

Opening balance	2,649,493	2,262,318
Contribution during the year	386,063	387,175
	3,035,556	**2,649,493**

33. Remuneration of councillors

Mayor	536,783	503,163
Speaker	434,341	406,027
Councillors	1,190,629	1,127,215
Councillors' pension contribution	164,485	-
Other allowances	726,813	675,301
	3,053,051	**2,711,706**

In-kind benefits

The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

Administrative Offices were availed to the Ward Councillors at various municipal buildings situated near to their respective wards to serve the communities.

34. Depreciation and amortisation

Property, plant and equipment	11,793,604	21,583,267

Figures in Rand	2010	2009

35. Finance costs

Finance leases	148,633	173,080
Bank	10,711	22,773
Current borrowings	804,540	789,240
Interest on Post Retirement Benefits	1,451,915	-
Interest charge on Rehablilitation of Landfil site	70,643	-
	2,486,442	**985,093**

Capitalisation rates used during the period were 10% on specific borrowings for capital projects and 10% being the weighted average cost of funds borrowed generally by the municipality.

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R2, 698, 984 (2009: R985, 093).

36. Debt impairment

Contributions to debt impairment provision	15,864,212	50,473,464

37. Impairment of assets

Impairments		
Property, plant and equipment The whole area of sewerage networks in the Hillside in the Industrial Area in De aar has been impaired. The impairment loss has been expensed through the Statement of Financial Performance. The asset has not been sold and will be assess in the future when development in the area takes off.	277,921	-
	277,921	-
	-	-

38. Bulk purchases

Electricity	19,602,522	14,983,306
Water	817,396	594,998
	20,419,918	**15,578,304**

39. Contracted services

Specialist Services	17,375	548,316

40. Grants and subsidies paid

Subsidies paid		
Hydrophonics	18,360	-
Electrification of houses	693,589	-
Water projects	(579,381)	-
	132,568	**-**

Figures in Rand	2010	2009

40. Grants and subsidies paid (continued)

Grants paid		
Equitable share payments	5,146,157	6,016,117
MSIG payments	695,759	1,234,055
Housing projects	5,692,872	347,607
Library development fund	116,391	67,646
MIG projects	(919,915)	-
	10,731,264	**7,665,425**
Subsidies paid to projects	132,568	-
Grant payments	10,731,264	7,665,425
	10,863,832	**7,665,425**

41. General expenses

Accounting fees	-	122,920
Advertising	359,748	167,984
Assessment rates & municipal charges	1,633,171	-
Auditors remuneration	1,123,153	875,158
Bank charges	301,260	324,422
Cleaning	68,854	53,757
Internal Audit expenses	116,288	-
HR Employee Wellness	464,196	-
Entertainment: Mayor	133,723	-
Entertainment and Functions	85,530	291,813
Entertainment: Speaker	76,748	-
Grave Excavations	58,323	-
External Licences and Subscriptions	168,035	137,549
HIV, AIDS & FAS	119,403	-
Women Empowerment fund	87,719	-
Insurance	722,079	628,770
Strategic Planning expenses	18,772	-
Establish of LED forum, SMME development & Youth development	143,712	-
Statutory Contributions payments	215,474	-
IT expenses	20,000	-
Perfromance Appraisal system	17,184	-
SALGA membership fees	192,387	-
Water & Bacterial Testings	85,050	48,250
Pauper Burials	12,666	-
Magazines, books and periodicals	25,054	-
Medical expenses	-	-
Motor vehicle expenses	85,037	103,824
Mayoral Special project	178,448	-
Relief Wokers	134,884	-
Fuel and oil	1,655,377	1,511,162
Legal Fees	115,254	-
Electricity Rural Water Pumps	668,619	-
Postage and courier	-	1,110,767
Printing and stationery	418,596	296,805
Protective clothing	218,240	244,628
Drivers Lience Card Purchases: Modiba	26,923	-
SALGA Sadec Games	387,633	-
Security (Guarding of municipal property)	942,719	752,900
Telephone and fax	1,255,255	-
Contribution to Provision for rehabilitation of Landfil site	-	296,069
Training	63,943	63,872
Travel - local	1,310,450	1,152,985
Travel - overseas	41,113	-
Sundry expenses	30,866	-
Conditional Grants Expense	-	1,581,661

Figures in Rand	2010	2009
41. General expenses (continued)		
Electricity	-	829,920
Water	-	246,666
Refuse	-	262,637
Tourism development	26,508	-
Other Expenses	-	341,110
	13,808,394	**11,445,629**
Theft and Fraud		
Theft and Fraud expenses	695,230	-

Theft and Fraud Expenses
1. Creditors Clerk's theft case

An total amount of R695, 230 was allegedly misappropriated by an Creditors Clerk within the Finance Department. These monies were meant for wages for project workers. These monies never reached the project beneficiaries. An amount of R651 000 is included in the the total amount, where the supporting documents could not be traced. If the necessary supporting documents could be retrieved or found, the amount in question would drastically be reduce to +- R65000. The planning of theft well orchestrated and well planned to deceive the municipality.

An criminal case has been opened with SAPS, and all relevant authorities, such as the Office of the Auditor General, Provincial Treasury and the Office of the MEC of Coghsta were informed about the alleged theft and fraud case.

The internal disciplinary hearing was concluded and the sanction was an summary dismissal for the employee involved. The criminal case is currently being heard in a court of law.

Currently the PersonnelSection is negotiating with the relevant Provident Fund to recover portion of the misappropriated funds from the pension benefit of the particular official.

2. Other disciplinary cases involving theft, fraud and corruption

Other discplinary cases of theft, fraud and corruption are currently underway where junior officials are involved. Preliminary amounts of +- R6500 are involved. These cases will run concurrently, where disciplinary hearings are taking place internally and the criminal cases are being heard in the court of law.

3. Management has since evaluated its internal control mechanisms and are continuously improving on internal controls in order to prevent any such occurences in the future.

Impairment Losses on PPE		
Impairment losses for the year	277,920	-

Impairment of PPE

Fixed Assets, more especially the Sewerage pipes, in the Hillsie Industrial area have been contructed since the late 1980's but was never connected to the main sewer line. These assets have never been used since completion.

Acturarial losses

See note 23 on Retirement Benefits on detail on the Actuarial losses

Actuarial Losses		
Actuarial losses for the year	4,362,190	-

42. Audit fees

Opening balance at 01 July	-	126,280
Current year subscription/fees	1,123,153	995,877
Amount paid - current year	(1,123,153)	(995,877)
Amount paid - previous year	-	(126,280)

Figures in Rand	2010	2009

42. Audit fees (continued)

	-	-

43. Irregular expenditure

Opening balance	-	339,686
Add: Irregular Expenditure - current year	2,125,125	1,406,954
Less: Amounts written off by council resolution	(2,125,125)	(1,746,640)
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
	-	-

Irregular expenditure that relates to SCM policy deviations

1. A total amount of R2 125 125 was paid out to Suppliers where the Supply Chain policy were deviated from, by the Accounting Offcier. Three quotations could not be obtained due to the availability of Service providers in the municpal boundaries.

2. The following Deviations were approved by the Accounting Officer which were condoned by the Executive Committee during the financial year under review. See annexure ir.o. SCM: Irregular expenditure.

See note on SCM deviations for explanation.

44. Related parties

Relationships

Accounting Officer	Mr Isak Visser
Mayor	Clr B.K. Markman
Speaker	Clr EP Eksteen
Councillors	Refer to note
Chief Financial Officer	Mr M.F. Manuel
Director of Infastructure and Housing Services	Mr. FD Taljaard
Director of Corporate, Community and Development Services	Ms B. Siwa
Manager of Housing Services	Manager of Developmental Services
Manager of Corporate Services	Mr JRM Alexander
Manager of Financial Services	Mr HH van der Merwe
Audit Comiittee Members	Refer to note
Performance Management Committee Members	Refer to note

Figures in Rand	2010	2009

44. Related parties (continued)

Related party balances

Rates and services Levied		
Councillors	77,312	-
Key management personnel	44,787	115,585
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Councillors	20,102	27,126
Audit Committe Members		
Audit Committee meetings	30,309	25,100
PMS Committee meetings	11,229	-

Related party transactions exist between

1. Key Managment and Councilors receive and pay for municipal services on the same terms and conditions as other rate payers and residents. The rates and service charges are in accordance with the approved tariffs. Impairment expenses have been recognised in respect of amounts owed by, Councillors, related parties

2. Audit Committee and PMS Committe members receive an remuneration for services rendered to Emthanjeni municipality.

3. No loans to councillors and senior management were grant during the year under review.

4. No transactions were entered between related parties, their close family members and the Emthanjeni Municipality

5 . Compensation of Councillors and Key management personnel is set out in notes 32 and 33 to the Annual Financial Statements.

6. The municipality has taken advantage of the exemptions according Directive 4 - Transitional Provisions for Medium and Low Capacity municipalities.

45. Cash generated from operations

Surplus (deficit)	3,470,447	(50,716,676)
Adjustments for:		
Depreciation and amortisation	11,793,604	21,583,267
Interest Received	(905,865)	(1,338,625)
Disposal of property plant and equipment	1,383,505	-
Impairment of fixed assets	277,920	-
Proceeds on the sale of property, plant and equipment	(352,034)	-
Finance costs	2,486,422	985,098
Debt impairment	15,864,212	-
Movements in operating lease assets and accruals	5,105	246,040
Movements in retirement benefit assets and liabilities	5,517,613	(15,950,527)
Movements in provisions	513,577	296,069
Movement in tax receivable and payable	(349,755)	-
Other non-cash items	(11,557,470)	20,355,396
Changes in working capital:		
Inventories	(233,884)	(213,522)
Trade and other receivables from exchange transactions	(988,290)	(503,532)
Other receivables from non-exchange transactions	335,473	-
Consumer debtors	(16,217,194)	35,036,153
Current Investments	(627,211)	-
Trade and other payables from exchange transactions	1,259,854	(2,051,782)
Taxes and transfers payable (non exchange)	1,350,245	(2,498,608)
Unspent conditional grants and receipts	2,905,540	(894,234)
Consumer deposits	79,775	164,283

Figures in Rand	2010	2009
45. Cash generated from operations (continued)		
	16,011,589	**4,498,800**

46. Contingencies

Reconcilaition of Contingent Liabilities

Claims for damages	928,176	905,573

1. Komanisi Developers

Litigation is in the process against the municipality relating to a dispute with a service provider who alleges that the municipality has confiscated and infringed specialised equipment and material without his consent. By confiscating the property of the service provider, claims that because of the actions of the municipality, the service provider incurred loss in income and therefor is seeking damages of R895 689.

The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

An amount of R77 777 has been paid in legal fees for the litigation of the case

2. Telkom Claim

An claim was instituted against the municipality for a damaged Telkom cable. The total costs for the claim as well as management's estimation amounts to R32 487.

Should the action be successful the municipality does have insurance cover to cover litigation costs and claims.

3. WJ van der Merwe's claim (E194)

The claimant alleges that the tyres of his truck were damaged at the municipal grounds. His damages amounted to R9 875. No summons has been issued. No further correspondence relating to this claim has been received from the claimant and the matter is seen as resolved. No expenditure in this regard was incurred.

47. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	6,777,840	2,525,348
• Other financial assets	1,869,550	-
Total outstanding commitments at 30 June	**8,647,390**	**2,525,348**
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	1,256,052	1,325,818

An total of 14 tenders were advertised and 13 was awarded during the financial year with a total value of R18 076 026. An total amount of R18 623 313 was paid to suppliers for services rendered during the year.

This committed expenditure relates to plant and equipment and will be financed by grants received and, retained surpluses, existing cash resources and funds internally generated, etc.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	238,909	252,726
- in second to fifth year inclusive	622,064	801,436
- later than five years	29,983	89,949

Figures in Rand	2010	2009

47. Sale of businesses (continued)

	890,956	**1,144,111**

Various of the Emthanjeni Municipality's building and equipment is held to generate rental income. Rental of equipment is expected to generate rental yields of 10% on an ongoing basis. Lease agreements are cancellable and have terms from 1 to 10 years. There are no contingent rents receivable.

48. Tax refunded

Balance at beginning of the year	332,831	131,216
Balance at end of the year	682,586	332,831
	1,015,417	**464,047**

49. Prior period errors

The effect of the correction of prior period changes on the annual financial statements for the year ended June 30, 2009 is as follows

Statement of financial position		
Property, plant and equipment	-	232,787,418
Heritage Assets	-	218,901
Investments	-	1,972,693
Cash and cash equivalents	-	(1,972,693)
Post retirement benefits	3,957,781	3,356,493
Provision for Rehabilitation of Landfil sites	-	296,097

Statement of financial performance

Provision for rehabilitation of landfil site		
Previously stated	-	296,097
Adjusted	-	(296,097)
Recognition of Provision for Rehabilitation	-	739,003
	-	**739,003**

Provision for rehabiliation of Landfil site

In the previous year, the calculation for the Provision for landfil site was wrongly treated. The disclosure note was adjusted and the recognition for the rehabilitation of the landfill site and the assets are stated at their present net values.

These present values were determine by Consulting Engineering firm.

Post Retirement Employee Benefit Obligation

Comparative information has effect is that the prior year amounts for Provisions, Current Provision has decrease with R2649493 and Post Retirement Employee benefit obligation(PREBO) has increase with the same amount.

The prior period error was done based on the requirements of IAS 19, provision for leave and bonusses form part of the PREBO.

On the face of the Statement of Position, the current portion of post retirement benefits has been included in the Non-current Post Retirement benefits in 2009, subsequently corrected to the current liabilities under the Current portion of Post Retirement benefits which also includes Accrued Leave.

Post retirement employee benefits obligation		
Post retirement benefits	-	707,142
Accrued Leave	-	2,649,493

Figures in Rand	2010	2009
49. Prior period errors (continued)		
Non-current Post retirement benefits at 30 June	**-**	**3,356,635**
Provision for Performance Bonusses		
Previously stated	-	321,609
Adjustment	-	(321,609)
	-	**-**
IMFO Funds written off		
Previously stated	-	(18,699,732)
Adjustment	-	18,699,732
	-	**-**
PPE: Leased assets - cellphones		
Previously stated	-	401,306
Adjustment: Accumulated depreciation	-	(19,613)
	-	**381,693**

50. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes , , , 21, 20, cash and cash equivalents disclosed in note 11, and equity as disclosed in the statement of financial position.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality’s income and operating cash flows are substantially independent of changes in market interest rates.

The municipality’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments. During 2010 and 2009, the municipality’s borrowings at variable rate were denominated in the Rand.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions.

Credit risk

Figures in Rand	2010	2009

50. Risk management (continued)

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Price risk

The municipality is not exposed to equity securities price risk because none of investments held by the municipality and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk.

51. Going concern

We draw attention to the fact that at June 30, 2010, the municipality had accumulated surplus of 210,666,660 and that the municipality's total liabilities exceed its assets by 212,919,453.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

52. Events after the reporting date

Council entered a loan agreement with ABSA Bank for the financing of a Telephone system which was fully installed and completed after 30 June 2010. The loan will finance the Photocopiers and Telephone System. The loan will be secured over the abovementioned assets.

Apart from the above, Management. is not aware of any other material events after the reporting date:

53. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure		
Opening balance	-	-
Fruitlees and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	**-**	**-**

Incident	Disciplinary steps/criminal proceedings
None	None

54. In-kind donations and assistance

Apart from the In-kind assistance to the Mayor and Speaker, the municipality did not received any in-kind donations and assistance during the year under review.

Figures in Rand	2010	2009

55. Professional and special services

Capital Commitments		
Approved and contracted for	8,647,390	2,525,348
Approved but not yet contracted	1,256,052	1,325,818
	9,903,442	**3,851,166**

These outstanding commitments will be finance out of Grants and Operating income

56. Water and Electricity Losses

Line losses for the year		
Water losses	20	23
Electricity losses	23	20
	43	**43**

The water losses for the year reach 19.5% (22.5 % in 2009) mainly due to leakages and also air that is being, measured at the water pumps.

Electricity reflects an annual loss of 22,67 % (19,64 % in 2009).

Currently the Directorate of Infrastructure is busy with development of an program of action in order to reduce these losses. This will encompassed with the maintenance of existing assets aswell acquisition of new assets.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

57. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government: SALGA

Current year subscription / fee	192,387	132,049
Amount paid - current year	(192,387)	(132,049)
	-	-

Compensation Commissioner (COIDA) payments

Opening balance	450,181	245,875
Current year subscription / fee	211,849	204,306
Amount paid - current year	(211,850)	-
Amount paid - previous years	(450,180)	-
Outstanding balance at 30 June	**-**	**450,181**

See note on Prior year errors

Audit fees

Opening balance	-	126,280
Current year subscription / fee	1,123,153	995,877
Amount paid - current year	(1,123,153)	(995,877)
Amount paid - previous years	-	(126,280)
	-	-

PAYE and UIF

Current year subscription / fee	3,617,682	3,588,683
Amount paid - current year	(3,617,682)	(3,588,683)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	9,523,356	7,344,583
Amount paid - current year	(9,523,356)	(7,344,583)
	-	-

VAT

VAT receivable	6,891,923	5,988,766
VAT payable	7,898,725	7,260,792
	14,790,648	**13,249,558**

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year except for March 2010 which was submitted late due to the non acceptance of faxed returns by SARS.

Figures in Rand	2010	2009

57. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2010:

June 30, 2010	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor EP Eksteen	(557)	-	(557)
Councillor GL Nyl	1,125	13,305	14,430
Councillor ST Sthonga	261	4,872	5,133
Councillor Thomaas	282	-	282
Councillor S Max	90	7,143	7,233
Councillor EG Hendricks	125	-	125
Councillor GA White	785	5,413	6,198
Councillor A Jafta	(2,186)	(11,220)	(13,406)
Councillor B Swanepoel	624	-	624
Councillor L Nkumbi	42	-	42
	591	**19,513**	**20,104**

June 30, 2009	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor BK Markman	570	629	1,199
Councillor GL Nyl	2,698	5,547	8,245
Councillor S Thomas	262	-	262
Councillor S Max	1,103	10,578	11,681
Councillor GA White	701	3,287	3,988
Councillor M Malherbe	789	-	789
Councillor AF Jafta	(404)	623	219
Councillor JJ Oberholzer	(582)	1,467	885
Councillor L Nkumbi	(294)	-	(294)
	4,843	**22,131**	**26,974**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident		
Upgrading of electricity services	599,999	-
Development of Business Plans for Housing Backlogg Erectification	680,000	-
	1,279,999	**-**

58. Utilisation of Long-term liabilities reconciliation

Long-term liabilities	4,950,317	6,268,127

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been provided or budgeted in the cash budget to ensure that long-term liabilities installments are repaid on scheduled payments date.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

59. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

60. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix B for the comparison of actual capital expenditure versus budgeted expenditure.

61. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that the records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Council also reviewed its SCM policy during the year under review to cater for sole providers/suppliers of services in our municpal areas, to address the non-compliance of obtaining the full three quotations for services or goods acquired.

Goods and services were procured during the financial 2010 under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. These deviations were also approved by the Executive Committe of Council

Summary of SCM deviations		
Goods and services acquired	599,755	-
Amounts condoned by Accounting Officer/Executive Committee	(599,755)	-
Total amounts awaiting condonedment	**-**	**-**

Tender 1/2009 : Upgrading of the Hanover Waste Waste Treatment Works

The contract had been extended with an additional amount of R599 755 due to the nature of the extentions of the Construction of the Treatment Works. The original contract price of R4 106 332 had increase to R4 706 087. This increase related primiraly to the extension of theTreatment Works.

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT WEDNESDAY, JUNE 30, 2010

	Received during the period Rand	Redeemed written off during the period Rand	Balance at Wednesday, June 30, 2010 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
DEVELOPMENT BANK OF SOUTH AFRICA					
DBSA @ 13.22%	-	114,998	983,865	-	-
DBSA @ 10.00%	-	304,280	3,484,685	-	-
DBSA @ 10.00%	-	898,532	481,767	-	-
	-	**1,317,810**	**4,950,317**	**-**	**-**

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX B for the period ended Wednesday, June 30, 2010
June 2010

EMTHANJENI MUNICIPALITY: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	Cost/Revaluation					Accumulated Depreciation					
	Opening Balance Rand	Additions Rand	Under Construction Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	Carrying Value Rand	Budget Additions Rand
Land/ Heritage											
Historical Buildings	826,592	-	-	-	**826,592**	-	-	-	**-**	**826,592**	**-**
Painting & Art Galleries	-	-	-	-	**-**	-	-	-	**-**	**-**	**-**
	826,592	**-**	**-**	**-**	**826,592**	**-**	**-**	**-**	**-**	**826,592**	**-**
Buildings											
Land	39,904,225	-	-	-	**39,904,225**	-	-	-	**-**	**39,904,225**	**-**
Buildings	22,251,961	626,177	-	-	**22,878,138**	2,273,214	1,158,367	-	**3,431,581**	**19,446,557**	**-**
	62,156,186	**626,177**	**-**	**-**	**62,782,363**	**2,273,214**	**1,158,367**	**-**	**3,431,581**	**59,350,782**	**-**
Leasehold property											
Office Equipment	373,908	83,650	-	-	**457,558**	1,153,057	650,711	1,379,220	**424,548**	**33,010**	**-**
	-	-	-	-	**-**	-	-	-	**-**	**-**	**-**
	373,908	**83,650**	**-**	**-**	**457,558**	**1,153,057**	**650,711**	**1,379,220**	**424,548**	**33,010**	**-**
Plant and machinery	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Furniture and fixtures	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Motor vehicles	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Office equipment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IT equipment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Computer software	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Housing Develop Fund	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Infrastructure											
Drains	-	-	-	-	**-**	-	-	-	**-**	**-**	**-**
Roads	54,951,762	803,567	580,503	-	**56,335,832**	7,014,852	3,424,344	-	**10,439,196**	**45,896,636**	**-**
Beach Improvements	-	-	-	-	**-**	-	-	-	**-**	**-**	**-**
Sewerage Mains & Purif	36,606,854	5,096,200	-	-	**41,703,054**	2,537,595	1,553,406	-	**4,091,001**	**37,612,053**	**-**
Electricity Mains	54,736,521	6,046,635	-	-	**60,783,156**	4,731,000	2,325,501	-	**7,056,501**	**53,726,655**	**-**
Airports	663,828	-	-	-	**663,828**	321,953	154,538	-	**476,491**	**187,337**	**-**
Water Mains & Purification	27,902,079	14,372	1,339,785	-	**29,256,236**	1,874,383	906,025	-	**2,780,408**	**26,475,828**	**-**
Railways	749,385	-	-	-	**749,385**	-	85,557	-	**85,557**	**663,828**	**-**
Water Meters	-	-	-	-	**-**	-	-	-	**-**	**-**	**-**
Solid Waste	4,588,257	70,643	-	-	**4,658,900**	316,370	185,489	-	**501,859**	**4,157,041**	**-**
	180,198,686	**12,031,417**	**1,920,288**	**-**	**194,150,391**	**16,796,153**	**8,634,860**	**-**	**25,431,013**	**168,719,378**	**-**

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX B for the period ended Wednesday, June 30, 2010
June 2010

EMTHANJENI MUNICIPALITY: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	Cost/Revaluation					Accumulated Depreciation					
	Opening Balance Rand	Additions Rand	Under Construction Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	Carrying Value Rand	Budget Additions Rand
Community											
Cemetries	1,014,513	-	-	-	**1,014,513**	93,077	54,676	-	**147,753**	**866,760**	**-**
Libraries	-	-	-	-	**-**	-	-	-	**-**	**-**	**-**
Recreation Grounds	-	-	-	-	**-**	-	-	-	**-**	**-**	**-**
Civic Buildings	-	-	-	-	**-**	-	-	-	**-**	**-**	**-**
	1,014,513	**-**	**-**	**-**	**1,014,513**	**93,077**	**54,676**	**-**	**147,753**	**866,760**	**-**
Other property, plant and equipment											
Landfill sites	-	-	-	-	**-**	-	-	-	**-**	**-**	**-**
Office Equipment	1,637,532	792,867	-	-	**2,430,399**	624,135	185,734	-	**809,869**	**1,620,530**	**-**
Furniture & Fittings	1,808,775	788,967	-	4,285	**2,593,457**	1,614,915	370,585	1,382	**1,984,118**	**609,339**	**-**
Bins and Containers	-	-	-	-	**-**	-	-	-	**-**	**-**	**-**
Emergency Equipment	-	-	-	-	**-**	-	-	-	**-**	**-**	**-**
Motor vehicles	2,869,685	109,383	-	-	**2,979,068**	2,044,467	394,416	-	**2,438,883**	**540,185**	**-**
Fire engines	-	-	-	-	**-**	-	-	-	**-**	**-**	**-**
Refuse tankers	-	-	-	-	**-**	-	-	-	**-**	**-**	**-**
Computer equipment	742,980	157,282	-	-	**900,262**	334,759	180,057	-	**514,816**	**385,446**	**-**
Councillors Regalia	-	-	-	-	**-**	-	-	-	**-**	**-**	**-**
Conservancy tankers	-	-	-	-	**-**	-	-	-	**-**	**-**	**-**
Watercraft	-	-	-	-	**-**	-	-	-	**-**	**-**	**-**
	7,058,972	**1,848,499**	**-**	**4,285**	**8,903,186**	**4,618,276**	**1,130,792**	**1,382**	**5,747,686**	**3,155,500**	**-**
Total											
Land/ Heritage	826,592	-	-	-	**826,592**	-	-	-	**-**	**826,592**	**-**
Buildings	62,156,186	626,177	-	-	**62,782,363**	2,273,214	1,158,367	-	**3,431,581**	**59,350,782**	**-**
Leasehold property	373,908	83,650	-	-	**457,558**	1,153,057	650,711	1,379,220	**424,548**	**33,010**	**-**
Plant and machinery	-	-	-	-	**-**	-	-	-	**-**	**-**	**-**
Furniture and fixtures	-	-	-	-	**-**	-	-	-	**-**	**-**	**-**
Motor vehicles	-	-	-	-	**-**	-	-	-	**-**	**-**	**-**
Office equipment	-	-	-	-	**-**	-	-	-	**-**	**-**	**-**
IT equipment	-	-	-	-	**-**	-	-	-	**-**	**-**	**-**
Computer software	-	-	-	-	**-**	-	-	-	**-**	**-**	**-**
Housing Develop Fund	-	-	-	-	**-**	-	-	-	**-**	**-**	**-**
Infrastructure	180,198,686	12,031,417	1,920,288	-	**194,150,391**	16,796,153	8,634,860	-	**25,431,013**	**168,719,378**	**-**
Community	1,014,513	-	-	-	**1,014,513**	93,077	54,676	-	**147,753**	**866,760**	**-**
Other property, plant and equipment	7,058,972	1,848,499	-	4,285	**8,903,186**	4,618,276	1,130,792	1,382	**5,747,686**	**3,155,500**	**-**
	251,628,857	**14,589,743**	**1,920,288**	**4,285**	**268,134,603**	**24,933,777**	**11,629,406**	**1,380,602**	**35,182,581**	**232,952,022**	**-**

EMTHANJENI MUNICIPALITY: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Cost/Revaluation					Accumulated Depreciation					
Opening Balance Rand	Additions Rand	Under Construction Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	Carrying Value Rand	Budget Additions Rand

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX C for the period ended Wednesday, June 30, 2010
June 2010

EMTHANJENI MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	Yearly					Yearly				
	Opening Balance Rand	Additions Rand	Under Construction Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	Carrying Value Rand
Executive & Council	62,529,447	-	-	-	**62,529,447**	2,979,195	1,504,203	-	**4,483,398**	**58,046,049**
Finance and Admin	3,149,719	626,177	-	1,285,293	**2,490,603**	1,492,203	999,163	1,285,293	**1,206,073**	**1,284,530**
Planning & Development	751,824	109,383	-	21,048	**840,159**	553,286	113,844	20,223	**646,907**	**193,252**
Health	-	-	-	-	**-**	-	-	-	**-**	**-**
Community & Social Services	8,471,019	843,768	-	77,165	**9,237,622**	1,543,898	579,973	75,086	**2,048,785**	**7,188,837**
Housing	-	-	-	-	**-**	-	-	-	**-**	**-**
Public Safety	538,184	110,140	-	-	**648,324**	312,860	79,096	-	**391,956**	**256,368**
Sport & Recreation	-	-	-	-	**-**	-	-	-	**-**	**-**
Waste Management (Solid Waste)	-	803,566	-	-	**803,566**	-	-	-	**-**	**803,566**
Waste Water Management	38,100,722	5,096,200	-	-	**43,196,922**	2,538,080	1,309,453	-	**3,847,533**	**39,349,389**
Road Transport	56,436,021	847,320	580,503	-	**57,863,844**	7,713,393	3,486,862	-	**11,200,255**	**46,663,589**
Water	26,938,317	40,062	1,339,785	-	**28,318,164**	2,057,443	946,514	-	**3,003,957**	**25,314,207**
Electricity	54,907,156	6,046,635	-	-	**60,953,791**	4,822,949	2,334,363	-	**7,157,312**	**53,796,479**
Other	3,792	65,789	-	-	**69,581**	3,259	10,386	-	**13,645**	**55,936**
	251,826,201	**14,589,040**	**1,920,288**	**1,383,506**	**266,952,023**	**24,016,566**	**11,363,857**	**1,380,602**	**33,999,821**	**232,952,202**

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX D for the period ended Wednesday, June 30, 2010
June 2010

Yearly

NAME	NAME		
Current year 2009 Yrly Per. Act. Bal.	Prior Year # 1 2008 Yrly Per. Bud. Amt	Variance	
June Year to Date Rand	June Year to Date Rand	Rand	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	Less Inter-Dep Charges
-	-	-	Total
-	-	-	
-	-	-	

Year to Date

0	0		
Current year 2009 Yrly Per. Act. Bal.	Current year 2009 Yrly Per. Bud. Amt	Variance	Explanation of Significant Variances greater than 10% versus Budget
June Year to Date Rand	June Year to Date Rand	Rand	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX E(1) for the ended Wednesday, June 30, 2010
June 2010

	Current year 2009 Act. Bal. R'000	Prior Year # 1 2008 Act. Bal. R'000	Current year 2009 Act. Bal. R'000	Prior Year # 1 2008 Act. Bal. R'000	Current year 2009 Act. Bal. R'000	Prior Year # 1 2008 Act. Bal. R'000	Current year 2009 Act. Bal. R'000	Prior Year # 1 2008 Act. Bal. R'000	Current year 2009 Act. Bal. R'000	Prior Year # 1 2008 Act. Bal. R'000	Current year 2009 Act. Bal. R'000	Prior Year # 1 2008 Act. Bal. R'000
Revenue												
Property rates	-	-	-	-	-	-	-	-	-	-	-	-
Property rates - penalties imposed and collection charges	-	-	-	-	-	-	-	-	-	-	-	-
Service charges	-	-	-	-	-	-	-	-	-	-	-	-
RSC Levies 1	-	-	-	-	-	-	-	-	-	-	-	-
RSC Levies 2	-	-	-	-	-	-	-	-	-	-	-	-
RSC Levies 3	-	-	-	-	-	-	-	-	-	-	-	-
RSC Levies 4	-	-	-	-	-	-	-	-	-	-	-	-
RSC Levies 5	-	-	-	-	-	-	-	-	-	-	-	-
RSC Levies 6	-	-	-	-	-	-	-	-	-	-	-	-
RSC Levies 7	-	-	-	-	-	-	-	-	-	-	-	-
RSC Levies 8	-	-	-	-	-	-	-	-	-	-	-	-
RSC Levies 9	-	-	-	-	-	-	-	-	-	-	-	-
RSC Levies 10	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	-	-	-	-	-	-	-	-	-	-	-	-
Interest received 1	-	-	-	-	-	-	-	-	-	-	-	-
Interest received 2	-	-	-	-	-	-	-	-	-	-	-	-
Interest received 3	-	-	-	-	-	-	-	-	-	-	-	-
Interest received 4	-	-	-	-	-	-	-	-	-	-	-	-
Interest received 5	-	-	-	-	-	-	-	-	-	-	-	-
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-
Fines	-	-	-	-	-	-	-	-	-	-	-	-
Licences and permits	-	-	-	-	-	-	-	-	-	-	-	-
Sales of housing	-	-	-	-	-	-	-	-	-	-	-	-
Income from agency services	-	-	-	-	-	-	-	-	-	-	-	-
Government grants & subsidies	-	-	-	-	-	-	-	-	-	-	-	-
Public contributions and donations	-	-	-	-	-	-	-	-	-	-	-	-
Municipal Revenue UD1	-	-	-	-	-	-	-	-	-	-	-	-
Municipal Revenue UD2	-	-	-	-	-	-	-	-	-	-	-	-
Revenue 2	-	-	-	-	-	-	-	-	-	-	-	-
Trading and general (Filtered)	-	-	-	-	-	-	-	-	-	-	-	-
Farming only (Filtered)	-	-	-	-	-	-	-	-	-	-	-	-
Trading and general (Filtered)	-	-	-	-	-	-	-	-	-	-	-	-
Farming only (Filtered)	-	-	-	-	-	-	-	-	-	-	-	-
Construction contracts	-	-	-	-	-	-	-	-	-	-	-	-
Royalty income	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous other revenue	-	-	-	-	-	-	-	-	-	-	-	-
Revenue 1	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Other income												

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX E(1) for the ended Wednesday, June 30, 2010
June 2010

	Current year 2009 Act. Bal.	Prior Year # 1 2008 Act. Bal.	Current year 2009 Act. Bal.	Prior Year # 1 2008 Act. Bal.	Current year 2009 Act. Bal.	Prior Year # 1 2008 Act. Bal.	Current year 2009 Act. Bal.	Prior Year # 1 2008 Act. Bal.	Current year 2009 Act. Bal.	Prior Year # 1 2008 Act. Bal.	Current year 2009 Act. Bal.	Prior Year # 1 2008 Act. Bal.
Other income	-	-	-	-	-	-	-	-	-	-	-	-
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-
Interest received - investment	-	-	-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-	-
Investment property	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Investment in controlled entities	-	-	-	-	-	-	-	-	-	-	-	-
Investments in joint ventures	-	-	-	-	-	-	-	-	-	-	-	-
Investments in associates	-	-	-	-	-	-	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-
Other asset 1	-	-	-	-	-	-	-	-	-	-	-	-
Other asset 2	-	-	-	-	-	-	-	-	-	-	-	-
Other asset 3	-	-	-	-	-	-	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Profit and loss on exchange differences	-	-	-	-	-	-	-	-	-	-	-	-
Gains or losses on biological assets and agricultural produce (Filtered)	-	-	-	-	-	-	-	-	-	-	-	-
Gains or losses on biological assets and agricultural produce	-	-	-	-	-	-	-	-	-	-	-	-
Income from equity accounted investments	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	-	-	-	-	-	-	-	-	-	-	-	-
Expenses												
Employee related costs	-	-	-	-	-	-	-	-	-	-	-	-
Remuneration of councillors	-	-	-	-	-	-	-	-	-	-	-	-
Debt impairment	-	-	-	-	-	-	-	-	-	-	-	-
Collection costs	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-
Amortisation	-	-	-	-	-	-	-	-	-	-	-	-
Repairs and maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Finance costs	-	-	-	-	-	-	-	-	-	-	-	-
Bulk purchases	-	-	-	-	-	-	-	-	-	-	-	-
Contracted Services	-	-	-	-	-	-	-	-	-	-	-	-
Grants and subsidies paid	-	-	-	-	-	-	-	-	-	-	-	-
Cost of housing sold	-	-	-	-	-	-	-	-	-	-	-	-
General expenses	-	-	-	-	-	-	-	-	-	-	-	-
Employee related costs	-	-	-	-	-	-	-	-	-	-	-	-
Farming only	-	-	-	-	-	-	-	-	-	-	-	-
Gain or loss on exchange differences	-	-	-	-	-	-	-	-	-	-	-	-

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX E(1) for the ended Wednesday, June 30, 2010
June 2010

	Current year 2009 Act. Bal.	Prior Year # 1 2008 Act. Bal.	Current year 2009 Act. Bal.	Prior Year # 1 2008 Act. Bal.	Current year 2009 Act. Bal.	Prior Year # 1 2008 Act. Bal.	Current year 2009 Act. Bal.	Prior Year # 1 2008 Act. Bal.	Current year 2009 Act. Bal.	Prior Year # 1 2008 Act. Bal.	Current year 2009 Act. Bal.	Prior Year # 1 2008 Act. Bal.
Impairments	-	-	-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-	-
Investment property	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Investment in controlled entities	-	-	-	-	-	-	-	-	-	-	-	-
Investments in joint ventures	-	-	-	-	-	-	-	-	-	-	-	-
Investments in associates	-	-	-	-	-	-	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-
Other asset 1	-	-	-	-	-	-	-	-	-	-	-	-
Other asset 2	-	-	-	-	-	-	-	-	-	-	-	-
Other asset 3	-	-	-	-	-	-	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Fair value adjustments	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue and costs												
Restructuring	-	-	-	-	-	-	-	-	-	-	-	-
Gains or losses on biological assets and agricultural produce	-	-	-	-	-	-	-	-	-	-	-	-
Income from equity accounted investments	-	-	-	-	-	-	-	-	-	-	-	-
Profit and loss on sale of non-current assets held for sale and net assets of disposal groups	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Net surplus/ (deficit) for the year	-	-	-	-	-	-	-	-	-	-	-	-

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX E(2) for the period ended Wednesday, June 30, 2010
June 2010

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010

	Additions	Under Construction	Closing Balance	Budget	Variance	Variance	Explanation of Significant Variances greater than 5% versus Budget
	Rand	Rand	Rand	Rand	Rand	%	
Land/ Heritage							
Historical Buildings	-	-	**-**	-	-	-	(Explanations to be recorded)
Painting & Art Galleries	-	-	**-**	-	-	-	
	-	**-**	**-**	**-**	**-**	**-**	**-**
Buildings							
Land	-	-	**-**	-	-	-	
Buildings	626,177	-	**626,177**	-	626,177	100	
	626,177	**-**	**626,177**	**-**	**626,177**	**100**	**-**
Leasehold property							
Office Equipment	83,650	-	**83,650**	-	83,650	100	
	83,650	**-**	**83,650**	**-**	**83,650**	**100**	**-**
Plant and machinery	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Furniture and fixtures	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Motor vehicles	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Office equipment	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IT equipment	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Computer software	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Housing Develop Fund	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Infrastructure							
Drains	-	-	**-**	-	-	-	
Roads	803,567	580,503	**1,384,070**	2,500,000	(1,115,930)	(81)	
Beach Improvements	-	-	**-**	-	-	-	
Sewerage Mains & Purif	5,096,200	-	**5,096,200**	5,100,000	(3,800)	-	
Electricity Mains	6,046,635	-	**6,046,635**	6,500,000	(453,365)	(7)	
Electricity Peak Load Equip	-	-	**-**	-	-	-	
Water Mains & Purification	-	-	**-**	-	-	-	
Reservoirs – Water	14,372	1,339,785	**1,354,157**	1,500,000	(145,843)	(11)	
Water Meters	-	-	**-**	-	-	-	
Solid Waste	70,643	-	**70,643**	-	70,643	100	
	12,031,417	**1,920,288**	**13,951,705**	**15,600,000**	**(1,648,295)**	**(12)**	**-**

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX E(2) for the period ended Wednesday, June 30, 2010
June 2010

	Additions	Under Construction	Closing Balance	Budget	Variance	Variance	Explanation of Significant Variances greater than 5% versus Budget
	Rand	Rand	Rand	Rand	Rand	%	
Community							
Parks & Gardens	-	-	**-**	-	-	-	
Libraries	-	-	**-**	-	-	-	
Cemetries	-	-	**-**	-	-	-	
Civic Buildings	-	-	**-**	-	-	-	
	-	**-**	**-**	**-**	**-**	**-**	**-**
Other property, plant and equipment							
Landfill sites	-	-	**-**	-	-	-	
Office Equipment	792,867	-	**792,867**	600,000	192,867	24	
Furniture & Fittings	788,967	-	**788,967**	600,000	188,967	24	
Bins and Containers	-	-	**-**	-	-	-	
Emergency Equipment	-	-	**-**	-	-	-	
Motor vehicles	109,383	-	**109,383**	110,000	(617)	(1)	
Fire engines	-	-	**-**	-	-	-	
Refuse tankers	-	-	**-**	-	-	-	
Computer equipment	157,282	-	**157,282**	200,000	(42,718)	(27)	
Councillors Regalia	-	-	**-**	-	-	-	
Conservancy tankers	-	-	**-**	-	-	-	
Watercraft	-	-	**-**	-	-	-	
Land	-	-	**-**	-	-	-	
Buildings	-	-	**-**	-	-	-	
	1,848,499	**-**	**1,848,499**	**1,510,000**	**338,499**	**18**	**-**
Total							
Buildings	626,177	-	**626,177**	-	626,177	100	
Leasehold property	83,650	-	**83,650**	-	83,650	100	
Plant and machinery	-	-	**-**	-	-	-	
Furniture and fixtures	-	-	**-**	-	-	-	
Motor vehicles	-	-	**-**	-	-	-	
Office equipment	-	-	**-**	-	-	-	
IT equipment	-	-	**-**	-	-	-	
Computer software	-	-	**-**	-	-	-	
Housing Develop Fund	-	-	**-**	-	-	-	
Infrastructure	12,031,417	1,920,288	**13,951,705**	15,600,000	(1,648,295)	(12)	
Community	-	-	**-**	-	-	-	
Other property, plant and equipment	1,848,499	-	**1,848,499**	1,510,000	338,499	18	
	14,589,743	**1,920,288**	**16,510,031**	**17,110,000**	**(599,969)**	**(4)**	**-**

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX E(2) for the period ended Wednesday, June 30, 2010
June 2010

Additions Rand	Under Construction Rand	Closing Balance Rand	Budget Rand	Variance Rand	Variance %	Explanation of Significant Variances greater than 5% versus Budget

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX F for the ended Wednesday, June 30, 2010
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
June 2010

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun		Yes/ No	
Equitable Share	National Treasury	-	138,088	310,019	893,435	-	-	-	-	-	-	-	-	-	-	-		Yes	
FMG	NT	-	750,000	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
MSIG	NT	-	850,000	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Housing Accreditation	Cogstha	300,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
DME		-	521,000	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
MIG	Cogta	-	500,000	904,000	803,000	-	-	-	-	-	-	-	-	-	-	-		Yes	
Housing	Cogstha	-	-	300,000	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Library Dev Fund	Provincial	12,500	436,000	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Housing Projects	Cogstha	-	-	994,724	007,448	576,010	-	-	-	-	-	-	-	-	-	-			
		312,500	295,088	508,743	703,883	576,010	-	-	-	-	-	-	-	-	-	-			

See Note to the Annual Financial Statements.

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX F for the ended Wednesday, June 30, 2010
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
June 2010

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun		Yes/ No	
Equitable Share	National Treasury	-	138,088	310,019	893,435	-	-	-	-	-	-	-	-	-	-	-		Yes	
FMG	NT	-	750,000	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
MSIG	NT	-	850,000	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Housing Accreditation	Cogstha	300,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
DME		-	521,000	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
MIG	Cogta	-	500,000	904,000	803,000	-	-	-	-	-	-	-	-	-	-	-		Yes	
Housing	Cogstha	-	-	300,000	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Library Dev Fund	Provincial	12,500	436,000	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Housing Projects	Cogstha	-	-	994,724	007,448	576,010	-	-	-	-	-	-	-	-	-	-			
		312,500	295,088	508,743	703,883	576,010	-	-	-	-	-	-	-	-	-	-			

See Note to the Annual Financial Statements.

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX F for the ended Wednesday, June 30, 2010
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
June 2010

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun		Yes/ No	
Equitable Share	National Treasury	-	138,088	310,019	893,435	-	-	-	-	-	-	-	-	-	-	-		Yes	
FMG	NT	-	750,000	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
MSIG	NT	-	850,000	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Housing Accreditation	Cogstha	300,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
DME		-	521,000	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
MIG	Cogta	-	500,000	904,000	803,000	-	-	-	-	-	-	-	-	-	-	-		Yes	
Housing	Cogstha	-	-	300,000	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Library Dev Fund	Provincial	12,500	436,000	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Housing Projects	Cogstha	-	-	994,724	007,448	576,010	-	-	-	-	-	-	-	-	-	-			
		312,500	295,088	508,743	703,883	576,010	-	-	-	-	-	-	-	-	-	-			

See Note to the Annual Financial Statements.